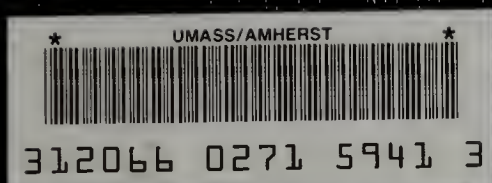


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MASSACHUSETTS HOUSING REPORT

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IN THIS ISSUE ...

Massachusetts Housing Markets

The state's housing markets continue to experience the slowdown that began last year. In May, home sales were down 24 percent from the same time a year ago. The volume of recently approved home mortgages was down 30 percent. New housing starts were down 10 percent, and permits for housing construction were down 33 percent.

As the sales market has slowed, Massachusetts housing costs have leveled off. The median home sales price had increased roughly 10 percent last year. Yet, in May of this year, the median price was \$2,500 (or 2 percent) lower than in May of 1988. The median condominium sales price was \$800 lower.

Mortgage interest rates have declined over the summer months. The average interest rate on a 30-year, fixed-rate mortgage peaked at 11.23 percent in May. Interest rates between 10 and 10.5 percent became commonplace in August.

Housing Needs

The Boston area's housing stock is in better condition than the nation's housing stock overall. The most recently available American Housing Survey (AHS 1985) shows that 2.8 percent of the area's rental housing and 0.2 percent of its owner-occupied housing has "severe" physical problems. Nationwide, 3.4 percent of rental housing and 0.8 percent of owner-occupied housing has severe physical problems.

The AHS covered 174 communities in Eastern Massachusetts and Southern New Hampshire.

AHS 1985 revealed that there was less overcrowding in Boston area housing than in the nation's housing stock overall. Only 0.2 percent of area's rental housing units was occupied by more

than one-and-a-half persons per room. Nationwide, 1.2 percent of the rental housing was severely overcrowded.

Boston area rental housing was slightly more affordable than the nation's rental stock overall. In the Boston area, 38.6 percent of rental housing units were occupied by households paying 30 percent or more of their income for housing costs. In the nation, 39.9 percent paid 30 percent or more of income to rent and utilities.

According to the AHS data, homeowners in the Boston area find their housing less affordable than the nation's. In the area, 23 percent of homeowners paid 30 percent of income to housing costs, as compared to 21 percent of the nation's homeowners.

Housing Vacancies

According to a 1988 study of 125 Eastern Massachusetts communities for the Federal Home Loan Bank Board, only a small percentage of both rental and owner-occupied housing units is vacant. Out of over 600,000 single family units, fewer than 7,000 (1.1 percent) were vacant. Of nearly 600,000 multifamily units, fewer than 11,000 (1.9 percent) were vacant.

Overall, only 1.5 percent of housing units was vacant in Boston, Brockton, Lawrence, Lowell, Salem, and 120 other Eastern Massachusetts communities. Out of 1,288,749 housing units, only 19,508 were found to be vacant.

*	CONTENTS...	*
*		*
*	American Housing Survey:	*
*	Summary of State Housing	*
*	Problems	*
*	page 2	*
*		*
*	Housing Vacancies in 125	*
*	Eastern Massachusetts	*
*	Communities	*
*	page 5	*
*		*
*	Massachusetts Housing	*
*	Market Roundup	*
*	page 7	*

AHS'85 IDENTIFIES 1/2 MILLION SEVERE HOUSING PROBLEMS IN THE GREATER BOSTON AREA

Over 400,000 cases of severe housing problems in the Boston area were identified by the recently released 1985 American Housing Survey (AHS'85). Two out of five renters (259,900) lived in units with severe physical problems, in overcrowded conditions, or paid too much for housing. One out of five owners (184,000) faced these same problems. This article discusses this and other findings of the AHS'85.

Homeownership

Rental housing is a larger part of the housing stock than in the nation as a whole. Out of 1,488,000 occupied housing units, 623,700 units (42 percent) were renter occupied in the Boston area. Nationwide, 36 percent (32,280,000 units) of the housing stock was renter occupied. The Boston area homeownership rate was 58.1 percent -- 5.3 percent lower than the nationwide homeownership rate of 63.4 percent in 1985.

AHS'85 covers the Boston CMSA -- the Consolidated Metropolitan Statistical Area. The CMSA consists of 154 Eastern Massachusetts communities, including Boston, Brockton, Brookline, Cambridge, Lawrence, Lowell, Lynn, and Plymouth. The CMSA also includes 25 Southern New Hampshire communities, with the major communities of Nashua and Salem.

Dwelling Structures

Following the national pattern, the majority of Boston area homeowners (80.8 percent) lived in single family housing in 1985. Fifteen percent lived in structures with two to four units. Less than 5 percent lived in larger structures.

Most renters (89 percent) lived in multifamily buildings. Forty-five percent lived in structures with five or more units; 44 percent lived in buildings with two to four units. Nationwide, only

66 percent of renters lived in multi-unit buildings.

Building Age

Boston area renters lived in older buildings than homeowners. On average, rental units were 16 years older than owner-occupied units. The median building age was 50 years for rental housing, and 34 years for owner-occupied housing. Nationwide, however, both owners and renters lived in buildings that were 23 years old. The Boston area housing stock was more than 10 years older than the nation's housing stock.

Homeowners occupied most newly built housing in the Boston area. Out of 59,300 occupied units constructed between 1981 and 1985 in the Boston CMSA, only 14,700 units (25 percent) were occupied by renters.

Physical Quality Problems

AHS'85 defines moderate and severe physical problems as the malfunction or lack of basic plumbing, heating, or electrical systems and equipment, or insufficient upkeep to maintain adequate sanitary conditions and comfort.

The Boston area housing may be older, but it is in better condition than the nation's housing stock as a whole. Only 5 percent (69,100) of Boston's occupied housing units had moderate or severe physical problems, as compared to 8 percent of the nation's.

In Boston and the nation, rental housing was more likely to have physical problems than owner-occupied housing. Seven percent (46,100) of Boston area rental units had moderate to severe physical problems. Nearly 3 percent (17,400) had severe physical problems. On the other hand, only 2.7 percent of owner-occupied units had moderate to severe physical problems.

The most common severe problem cited by owners and renters was a malfunctioning heating system (10,100 units). Renters complained also of plumbing system deficiencies (6,600

OCCUPIED HOUSING UNITS IN THE BOSTON CMSA AND UNITED STATES: 1985
(units in thousands; percentages in parentheses)

Units In Structure	Boston CMSA				United States			
	Total		New		Total		New	
	Owners	Renters	Owners	Renters	Owners	Renters	Owners	Renters
One	699.0 (80.9)	65.3 (10.4)	39.6 (88.7)	1.9 (12.9)	48,914 (87.1)	10,263 (31.8)	2,775 (72.8)	422 (21.8)
Two to four	127.8 (14.8)	277.0 (44.4)	1.2 (2.7)	2.7 (18.4)	1,996 (3.6)	8,221 (25.5)	86 (2.3)	360 (18.6)
Five or more	30.3 (3.5)	280.9 (45.0)	3.0 (6.7)	10.0 (68.0)	1,330 (2.4)	12,948 (40.1)	137 (3.6)	1,107 (57.1)
Mobile home	7.2 (0.8)	0.4 (0.1)	0.8 (1.8)	0.0 (0.0)	3,906 (7.0)	848 (2.6)	815 (21.4)	51 (2.6)
TOTAL	864.2	623.7	44.6	14.7	56,145	32,280	3,813	1,940
Percentage by Tenure	58.1	41.9	75.2	24.8	63.5	36.5	66.3	33.7

Source: U.S. Bureau of the Census, "American Housing Survey for the United States," December 1988, and unpublished tables.

HOUSING PROBLEMS IN THE BOSTON CMSA AND UNITED STATES: 1985
(percentages in parentheses)

		Boston CMSA		United States	
		Renter	Owner	Renter	Owner
Total Occupied Units		623,700	864,200	32,280,000	56,145,000
Units With Physical Problems	Severe	17,400 (2.8)	1,800 (0.2)	1,108,000 (3.4)	451,000 (0.8)
	Moderate	28,700 (4.6)	21,200 (2.5)	3,178,000 (9.8)	2,636,000 (4.7)
Overcrowded Units	1.5+ persons per room	1,500 (0.2)	1,100 (0.1)	403,000 (1.2)	128,000 (0.2)
	1.0+ persons per room	13,000 (2.1)	7,200 (0.8)	1,516,000 (4.7)	980,000 (1.7)
Housing Costs As 25 Or 30 Percent Of Income Or More (1)	30+ percent	241,000 (38.6)	181,100 (22.8)	12,867,000 (39.9)	11,001,000 (21.3)
	25+ percent	329,200 (52.8)	266,600 (33.6)	16,634,000 (51.5)	15,691,000 (30.6)
Units In Neighborhoods With Problems		240,000 (39.1)	321,700 (37.4)	12,818,000 (40.4)	20,682,000 (37.3)

Note: (1) Excludes owners not reporting mortgage payments.

Source: U.S. Bureau of the Census, "American Housing Survey for the United States," January 1988, and unpublished tables.

units). Unit upkeep was frequently cited as a moderate problem by both owners and renters (33,700 units).

Overcrowding

Overcrowding was less of a problem in the Boston area than in the nation as a whole. Like the nation's housing stock, there was more overcrowding in the Boston area's rental stock than in owner-occupied housing. Only 2 percent of Boston area rental housing (14,500) was occupied by a household with more than one person per room.

Affordability

Homeowners spent less of their monthly income on housing costs than did renters. Twenty-three percent (181,100) of the Boston CMSA's homeowners spent 30 percent or more of their income for housing. Thirty-nine percent of area renter households (241,000) paid 30 percent or more of income to housing costs. (Housing costs for renters included rent and utilities.)

A higher proportion of elderly and Hispanic renters paid 30 percent or more of income for housing than the Boston area population overall. Fifty-five percent of elderly and 52 percent of Hispanic renter households experienced similar rent burdens. Similar to Boston area renters overall, 38 percent of black renter households paid 30 percent or more

of their income for housing.

Similar to Boston area elderly renters, 54 percent of the nation's elderly paid a disproportionate amount of their income for housing. Nationwide, the percentages of blacks and Hispanic renters paying 30 percent or more of income to housing costs differ from those in the Boston area. Forty-seven percent of blacks and a slightly higher percentage of Hispanic renters in the nation paid 30 percent or more of income to rent and utilities.

Neighborhood Problems

Renters and homeowners cited the same amount of neighborhood problems. Thirty-nine percent of renters and 37 percent of owners reported neighborhood problems. Renters complained largely of noise, while homeowners were more concerned about traffic.

In 1985, crime was not regarded by most survey participants as a major problem. Crime was mentioned by 14 percent of renters and 6.5 percent of owners in neighborhoods with problems.

About the American Housing Survey

The American Housing Survey is a joint effort of the U.S. Bureau of the Census and Department of Housing and Urban Development. The survey covers 44 metropolitan areas across the nation. Each time the survey is conducted, 11 of the metropolitan areas are selected.

The Boston CMSA was selected for the 1981 and 1985 surveys. The 1981 survey covered a smaller geographic area than the 1985 survey. Both the sampling procedure and questionnaire were redesigned for the 1985 survey. Therefore, comparisons of findings between surveys should be made with caution.

More information about the AHS may be obtained by calling the Census Bureau at (301) 763-8551.

MASSACHUSETTS HOUSING REPORT

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FHLB SURVEY SHOWS ONLY 20,000 HOUSING VACANCIES IN EASTERN MASSACHUSETTS

The most recent data on residential vacancy rates shows that the state's housing markets continue to be tight. The overall residential vacancy rate for 125 eastern Massachusetts communities was 1.5 percent during the third quarter of 1988.

Residential vacancies are monitored by the Federal Home Loan Bank of Boston (First District). Vacancy surveys were conducted in 1988 in the Boston, Lawrence, Salem/Gloucester, and Worcester areas. Surveys were conducted in 1986 in the Pittsfield and Springfield areas, and in earlier years in the Barnstable County, Brockton, Fall River, Fitchburg/Leominster, and New Bedford areas.

Overall Housing Vacancy

In 1988, in the 125 Eastern Massachusetts communities, only 19,508 housing units were vacant out of nearly 1.3 million units. The overall vacancy rate was 1.51 percent.

Most of the vacancies (55 percent) were found in the multifamily dwellings with five or more units in a building. Thirty-five percent consisted of single family detached homes. The remaining 10 percent were in two- to four-family buildings.

Multifamily Housing Vacancy

Out of 582,870 multifamily housing units in Eastern Massachusetts, only 10,799 units (1.85 percent) were vacant last year. Vacancy rates ranged from 1.60 in the Boston area to 3.51 percent in the Salem/Gloucester area.

New apartment units made up only 22 percent of total multifamily vacancies.

Single Family Vacancy

In 1988 there were 614,612 detached, single family housing units in Eastern Massachusetts. Only 6,793 of these units were vacant -- 1.11 percent of the total. Single family vacancy rates ranged from less than 1 percent in the Lowell area to 1.73 percent in the Lawrence/Haverhill area.

Thirty-one percent of the vacant single family homes were newly built.

Focus on Boston

Vacancy surveys were conducted in the Boston area in 1981, 1983, and 1988. Although the overall housing supply increased by 5 percent between 1981 and 1988, the vacancy rate showed an insignificant increase -- from 1.27 to 1.32 percent.

The multifamily housing vacancy rate in Boston declined from 1.83 to 1.60 percent during the 1980's. The single family vacancy rate rose slightly from, 0.62 to 1.00 percent.

Background on the Surveys

The vacancy surveys are conducted under an agreement between the U.S. Department of Housing and Urban Development and the Federal Home Loan Bank Board. Surveys are administered by postal carriers and tabulated by the Federal Home Loan Bank of Indianapolis.

Results of the surveys are distributed among the FHLBB's district banks. Boston's First District Federal Home Loan Bank maintains tabulations for the six New England states.

Vacancy surveys are conducted in all Primary Metropolitan Statistical Areas. PMSAs are designated by the U.S. Bureau of the Census around major employment centers with populations of 100,000 or more.

RESIDENTIAL VACANCIES IN 125 EASTERN MASSACHUSETTS COMMUNITIES, 1988
(Percentages in parentheses)

PMSEA	Total Units(1)	Existing Housing Unit		New Housing Unit		Total Vacancies	Single Family Detached			Multifamily		
		Vacancies	Total	Vacancies	Total		Total Units	Vacant Units		Total Units	Vacant Units	
								Used	New		Used	New
Boston	1,013,851	10,126	3,266	13,392 (1.32)	459,065	3,154	1,459	4,613 (1.00)	489,231	6,280	1,544	7,824 (1.60)
Lawrence/ Haverhill	114,746	1,932	727	2,659 (2.32)	60,903	739	316	1,055 (1.73)	39,565	873	233	1,106 (2.80)
Lowell	71,344	732	543	1,275 (1.70)	40,907	173	101	274 (0.67)	26,182	478	411	889 (3.40)
Salem/ Gloucester	88,808	1,535	647	2,182 (2.46)	53,737	612	239	851 (1.58)	27,892	737	241	978 (3.51)
TOTAL	1,288,749	14,325	5,183	19,508 (1.51)	614,612	4,678	2,115	6,793 (1.11)	582,870	8,368	2,429	10,797 (1.85)
Boston 1983	989,770	9,601	2,626	12,227 (1.24)	451,476	2,259	790	3,049 (0.68)	535,656	7,309	1,836	9,143 (1.71)
Boston 1981	965,338	9,993	2,284	12,277 (1.27)	445,395	2,090	691	2,781 (0.62)	517,660	7,871	1,593	9,454 (1.83)

SOURCE: Federal Home Loan Bank Board, postal vacancy surveys, 1988.

MASSACHUSETTS HOUSING MARKET ROUNDUP

Home Sales and Prices: Table 1

With 6,986 transactions statewide, Massachusetts home sales were down 24 percent in May of this year, as compared to May 1988. Single family sales were down 21 percent, and condominium sales were down 32 percent.

The median sales price of a Bay State single family home in May was \$2,500 lower than in May 1988 (at \$153,000). The median condominium sales price was \$129,200 -- only \$800 lower than in May 1988.

Home sales were lower in all counties of the state, with the exception of Berkshire and Franklin. Sales in these counties have kept pace with last year's sales.

Home Loans: Table 2

The volume of new home loans in the first five months of this year was 30 percent lower than during the first five months of 1988. The average purchase price of homes with new mortgages fell 5.4 percent to \$165,300. The average contract interest rate was 130 basis points higher in the first five months of 1989 than in 1988 (at 10.14 percent).

Interest Rates: Table 3

Between January and May of this year, mortgage interest rates had been increasing steadily. The average rate on a 30-year, fixed-rate home mortgage was 11.23 percent in May. The average one-year adjustable mortgage rate was 10.72 in June. By August, however, some Boston banks had lowered their mortgage interest rates to below 10 percent.

The difference between fixed and adjustable interest rates has narrowed. ARMs are no longer much lower than conventional mortgages. The spread fell from 176 basis points in June 1988 to 48 points in May of this year.

Employment/Unemployment: Table 4

The state unemployment rate continues to be below the national and New England rates. Yet Massachusetts unemployment jumped to 4.7 percent in June from 3.5 percent in May. Between last year and the second quarter of this year, the number of employed persons increased 0.8 percent. During the same period this year, the number of unemployed persons increased 17.5 percent, and the unemployment rate increased 0.5 percent.

Consumer Prices: Table 5

The cost of housing increased twice as fast as the cost of all consumer items between 1984 and 1988 in the Boston area. Yet both the renter and homeowner cost indices have fallen between January and June of this year. At the same time, overall consumer costs have increased 1.5 percent.

Housing Starts and Permits: Tables 6 and 7

New housing starts in Massachusetts are running 10 percent below the average of the previous five years. In May the annualized housing start pace was 29,400 units. The average for the previous five years was 32,800 units.

Housing starts in Massachusetts were 5 percent lower in May of this year than in May 1988, when starts were running at a pace of 31,000 units. Nationally, starts fell to 1,311,000 -- the lowest level in over six years.

Permits for new housing construction were 33 percent lower in the state for the first five months of this year as compared to 1988 (at 7,858 units). At 4,998 units, single family permits were 30 percent off of last year's pace. At 2,860 units, multifamily permits were 37 percent off.

Table 1
RESIDENTIAL SALES AND PRICES BY MASSACHUSETTS COUNTY

	Sales				Median Sales Price	
	May 1989	May 1988	YTD 1989	YTD 1988	May 1989	May 1988
All Sales						
Barnstable	454	673	2,052	2,520	\$135,900	\$140,000
Berkshire	203	200	818	941	122,000	122,500
Bristol	582	740	2,691	2,923	130,000	135,000
Dukes	26	74	155	223	185,000	162,000
Essex	776	1,139	3,405	4,162	153,000	150,000
Franklin (1)	62	69	164	207	123,900	119,500
Hampden	512	638	2,164	2,736	120,000	115,000
Hampshire	132	162	616	619	135,000	129,000
Middlesex (2)	1,286	1,696	5,069	5,222	178,000	175,000
Nantucket	25	39	238	127	180,000	240,000
Norfolk	830	955	3,457	3,710	165,000	167,000
Plymouth	625	908	2,861	3,266	140,000	142,000
Suffolk	702	808	2,888	3,410	155,000	158,000
Worcester	771	1,059	3,561	4,347	126,900	130,200
Total (3)	6,986	9,160	30,139	34,413	\$148,500	\$148,900
Single-Family						
Barnstable	410	557	1,800	2,091	\$137,500	\$146,800
Berkshire	187	174	753	857	124,000	120,000
Bristol	499	616	2,278	2,421	135,000	140,000
Dukes	26	72	147	218	185,000	162,000
Essex	590	846	2,639	3,120	164,000	165,000
Franklin (1)	59	59	155	181	125,300	122,800
Hampden	479	514	2,011	2,195	121,000	119,900
Hampshire	116	137	554	537	139,000	130,000
Middlesex (2)	954	1,235	3,785	3,972	181,000	190,000
Nantucket	25	38	126	226	180,000	250,000
Norfolk	629	729	2,646	2,780	178,500	175,000
Plymouth	544	792	2,504	2,800	145,000	145,000
Suffolk	351	379	1,458	1,501	167,000	170,000
Worcester	664	881	3,094	3,617	135,000	133,000
Total (3)	5,533	7,029	23,950	26,516	\$153,000	\$155,800
Condominiums						
Barnstable	44	116	252	429	\$120,000	\$119,400
Berkshire	16	26	65	84	121,500	132,900
Bristol	83	124	413	501	109,900	116,000
Dukes	0	2	8	5	...	190,000
Essex	186	293	766	1,042	137,500	125,000
Franklin (1)	3	10	9	26	94,500	99,700
Hampden	33	124	153	541	112,400	95,000
Hampshire	16	25	62	82	105,000	89,900
Middlesex (2)	332	461	1,284	1,550	130,000	135,000
Nantucket	0	1	1	12	...	222,000
Norfolk	201	224	811	930	130,000	139,000
Plymouth	81	116	357	466	115,500	129,900
Suffolk	351	429	1,430	1,909	143,000	150,000
Worcester	107	178	467	730	105,900	113,000
Total (3)	1,453	2,129	6,078	8,307	\$129,200	\$130,000

Notes: (1) March figures; sales price represents average price.
 (2) April figures.
 (3) Total prices are weighted averages of sales prices.

Source: Banker and Tradesman, June editions.

Table 2
SINGLE-FAMILY HOME LOANS IN MASSACHUSETTS

	All Home Loans			Average Purchase Price	
	Estimated Number of Loans	Average Purchase Price (1)	Average Contract Interest Rate(%)	New Homes	Existing Homes
1984	6,580	\$94.4	12.78	\$95.1	\$93.0
1985	7,632	116.8	11.82	128.8	113.3
1986	8,925	146.9	10.07	149.7	145.7
1987	8,126	167.9	9.00	179.4	164.2
1988	6,865	175.4	9.18	186.7	171.1
January-May '88	2,568	174.7	8.84	183.2	169.4
January-May '89	1,819	165.3	10.14	186.6	157.3
March 1989	294	172.9	9.94	184.0	167.3
April 1989	345	167.2	10.39	220.2	154.6
May 1989	457	162.9	10.47	166.9	158.1

Note: (1) Prices in \$1000s.

Source: Federal Home Loan Bank Board, First (Boston) District, "Mortgage Interest Rate Survey", 1984-1989.

Table 3
RECENT EFFECTIVE INTEREST RATES FOR HOME MORTGAGES
IN MASSACHUSETTS

		All Loans	30-Year Fixed	One-Year Adjustable
<u>1988</u>	June	9.30%	10.56%	8.80%
	July	9.20	10.67	8.64
	August	9.58	10.76	8.97
	September	9.80	11.01	9.18
	October	9.86	10.99	9.33
	November	9.91	10.68	9.04
	December	9.91	10.62	9.35
<u>1989</u>	January	10.16	10.66	9.65
	February	10.23	10.89	9.88
	March	10.21	10.80	9.70
	April	10.68	11.25	9.81
	May	10.74	11.23	10.75
	June	10.70	10.68	10.72

Source: Federal Home Loan Bank, First (Boston) District.

Table 4
TOTAL EMPLOYMENT AND UNEMPLOYMENT AND UNEMPLOYMENT RATE
ANNUAL AVERAGE, 1984-88
(numbers in thousands)

	1984	1985	1986	1987	1988	June 1989
Massachusetts						
Persons Employed	2,902	2,930	2,941	2,987	3,041	3,176
Persons Unemployed	145	120	118	99	103	127
Rate	4.8%	3.9%	3.8%	3.2%	3.3%	3.9%
New England	4.9%	4.4%	3.9%	3.3%	3.1%	3.7%
U.S.	7.5%	7.2%	7.0%	6.2%	5.5%	5.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 5
CONSUMER PRICE INDEX FOR BOSTON (1)

Month of May	CPI	Renter Index	Homeowner Index
1984	104.3	104.9	110.2
1985	108.4	111.8	116.4
1986	111.0	121.8	125.5
1987	115.3	128.4	132.6
1988	123.1	139.4	147.3
<u>Change over 6 months (2)</u>			
January-June 1988	+3.0	+2.9	+5.9
January-June 1989	+1.5	-0.7	-3.3

Notes: (1) Non-seasonally adjusted cost indices,
1982-84=100, urban consumers.

(2) Change in overall CPI for the period January
through May.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 6
MASSACHUSETTS HOUSING STARTS (1)
(numbers in thousands)

	1984	1985	1986	1987	1988	1989	Percent Change 1984-89	Percent Change 1988-89
January	16.8	30.0	46.2	36.9	25.2	29.5	+75.6	-10.2
February	21.7	27.9	59.2	38.8	33.0	19.0	-12.4	-42.4
March	27.2	32.1	54.1	40.0	34.5	23.4	-14.0	-32.2
April	27.8	35.7	50.6	34.4	38.9	30.2	+8.6	-22.4
May	26.4	35.6	42.9	28.2	31.0	29.4	+11.4	-5.2
New England (2)	80.6	85.2	112.0	78.2	81.5	74.2	-7.9	-9.0
United States	1805.0	1681.0	1853.0	1606.0	1384.0	1311.0	-27.4	-5.3

Notes: (1) Seasonally adjusted, annualized estimates.
(2) Figures for New England and the U.S. are for May.

Source: Federal Home Loan Bank Board, First (Boston) District,
First District Facts, Table 6.

Table 7
MASSACHUSETTS BUILDING PERMITS

	Total	Single Family	2 to 4 Family	Multi- Family	Demolitions
1984	29,288	21,184	2,245	5,859	848
1985	39,196	25,594	2,996	10,606	983
1986	45,215	28,110	3,982	13,123	971
1987	40,419	25,311	3,874	11,234	1,203
1988	30,482	20,112	3,141	7,229	1,213
March 1988	3,319	1,971	273	1,075	76
April 1988	2,733	1,590	247	896	151
May 1988	2,378	1,797	234	347	81
March 1989	1,799	1,143	193	463	85
April 1989	1,898	1,169	153	576	66
May 1989	1,680	1,165	171	344	80
January-May '88	11,752	7,179	1,154	3,419	468
January-May '89	7,858	4,998	867	1,993	357

Source: U.S. Department of Commerce, Bureau of the Census, "State/County Permits
Authorized Construction in Permit Issuing Places."

MASSACHUSETTS HOUSING REPORT

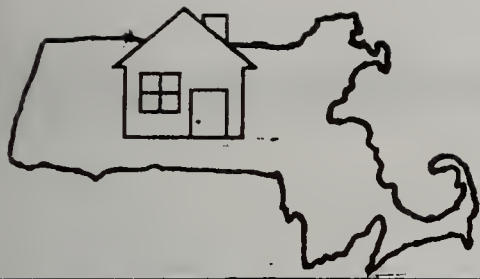
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MASSACHUSETTS HOUSING REPORT

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IN THIS ISSUE...

HOUSING AFFORDABILITY

Housing affordability declined on average in seven Massachusetts areas between 1988 and 1988, but increased slightly in the Boston PMSA. In Boston, a buyer with a ten percent downpayment needs a yearly income of \$90,000 to buy a median-priced house (\$205,253), and needs \$65,000 to buy a median-priced (\$148,240) condominium. Since the median income for the Boston PMSA is \$45,000, this leaves an "affordability gap" of \$45,000 for the house and \$20,000 for the condo.

SUBSIDIZED HOUSING

The Commonwealth has become the main source of funding for the production of low-income housing in Massachusetts. The federal government has retreated from its historic position as the principal subsidizer of low-income housing. Between 1980 and 1982, 45 percent of new subsidized units was supported with state funds. After 1982, the state supported 89 percent of new commitments. For each new federally-assisted unit contracted for between 1983 and 1989, the state has supported eight new units a year.

HOUSING VACANCIES

The vacancy rate in the Boston PMSA is up slightly from last year (1.32 to 1.54 percent). Between 1981 and 1989, single home vacancies increased the most -- by 149 percent-- while multifamily vacancies decreased only three percent.

MASSACHUSETTS HOUSING MARKETS

Massachusetts home sales were down 19 percent in September 1989 from the same month last year. Housing starts were 2,500 fewer in July than in June, while building permits were 32 percent lower in 1989 than in 1988. An exception to this downward trend is multifamily permits which rose by 40 percent since June.

Despite a decline in housing sales and production, the cost of housing has not backed down. Although median sales prices varied among counties across the state, they were only one percent lower in September of 1989 than in September of 1988.

Homeowner costs, as indicated by the CPI, were 7.1 percent higher in September 1988 than one year earlier. Renter costs were 5.9 percent higher. Interest rates, though higher in 1989 than in 1988 (10.2 percent and nine percent respectively), held fairly constant throughout 1989.

CONTENTS...

Housing Affordability
Declines in
Massachusetts.....page 2

State Assumes Subsidized
Housing Leadership...page 7

Boston Housing Vacancy Rate
Increases, But Remains
Low.....page 10

Massachusetts Housing Market
Roundup.....page 12

HOUSING AFFORDABILITY DECLINES IN MASSACHUSETTS

THE AFFORDABILITY GAP

The "Affordability Gap," the difference between the cost of housing and the level of income, decreased somewhat in the Boston PMSA between 1988 and 1989. At the same time, it increased in three other areas of Massachusetts -- Nantucket County, Dukes County, and the Springfield MSA. The **Massachusetts Housing Report** conducted its own affordability analysis to arrive at these conclusions. (The methodology used is discussed later in this article.)

Other findings include:

- o There is wide variation in affordability across the state.
- o Homes are less affordable in eastern Massachusetts than elsewhere in the state.
- o The two Metropolitan Statistical Areas, Boston and Springfield, have the highest affordability gaps.
- o The highest home prices are in eastern Massachusetts; the lowest are in western Massachusetts.
- o The Boston PMSA had the highest median income in 1988 and 1989.
- o Median income among the seven areas in Massachusetts rose nine percent between 1988 and 1989. The median-priced home increased by four percent.

Housing Affordability in Boston

A homebuyer must currently pay \$205,253 to purchase a median (not average) priced house in the Boston PMSA. (The Boston PMSA covers 106 towns and cities in eastern Massachusetts.) Forty-seven percent of all September 1989 sales in the state took place in this area. A condo costs somewhat less -- \$148,240.

To buy the house, a buyer with a ten percent downpayment needs a startling annual income of \$90,000. For the condo, \$65,000 is required. The median income in the Boston PMSA is only \$45,000, however, leaving an **affordability gap** of \$45,000 for the house and \$20,000 for the condo. (See Table 5.) Except for Nantucket County, the Boston area has the highest affordability gap in the state.

Each of the seven areas examined here had substantial affordability gaps in both 1988 and 1989. As shown in Table 1 below, the affordability gap varies considerably. In 1989, it was as high as \$85,577 in Nantucket County and \$41,565 in the Boston PMSA, and as low as \$15,017 in Berkshire County. In 1988, the average gap for these seven areas, which comprised 67 percent of all sales in the state in September 1989, was \$31,999. In the Boston PMSA, the gap decreased from \$44,864 in 1988 to \$41,565 in 1989.

Although in some areas the gap increased and in others it went down, on average it was \$35,058, or as much as 10 percent higher in 1989.

**Table 1: The Affordability Gap
in Seven Massachusetts Areas
(all sales)**

	1988	1989
Nantucket County	\$60,054	\$85,577
Boston PMSA	44,864	41,565
Dukes County	34,799	38,790
Barnstable County	26,614	25,742
Springfield MSA	21,821	22,323
Franklin County	17,957	16,394
Berkshire County	17,886	15,017
7 area average	\$31,999	\$35,058
(unweighted)		

Geographic Differences

Homes were clearly less affordable in both 1988 and 1989 in the four eastern areas -- Nantucket County, Boston PMSA, Dukes County and Barnstable County. The western areas (Springfield MSA, Franklin and Berkshire Counties) had the lowest affordability gaps. The affordability gap gets smaller moving from east to west. Homes became 15 percent less affordable in 1989 than in 1988 (on average) in the four eastern areas, while western homes became seven percent more affordable.

Urban-Rural Differences

The two metropolitan areas, Boston and Springfield, have the largest affordability gaps. Their gaps surpassed the two non-metropolitan areas, Franklin and Berkshire Counties, by over \$15,000 in both years. (The three resort counties -- Nantucket, Dukes and Barnstable, -- were not considered in the rural-urban dichotomy because of their disparity between high second home prices and relatively

lower year-round incomes.) On average, the gap dropped slightly in 1989 from \$33,342 to \$31,944 in the two metropolitan areas, and from \$17,921 to \$15,705 in the two non-metropolitan areas.

HOME PRICES

Home prices vary widely. In 1988, Nantucket County's median home price (the highest), was more than twice that of Franklin County's (the lowest). In 1989, the difference increased to two-and-one-half times. The highest prices are in the Boston area (\$197,385) and in the three resort counties. The lowest are in the rural western areas.

**Table 2: Median Home Prices
(all sales)**

	1988	1989
Nantucket County	\$235,000	\$290,000
Boston PMSA	205,162	197,385
Dukes County	150,000	158,000
Barnstable County	137,900	136,000
Springfield MSA	131,470	133,224
Berkshire County	118,000	112,000
Franklin County	116,500	114,000
7 area average	\$156,290	\$162,944
(unweighted)		

Median home prices rose between 1988 and 1989 in Nantucket County, Dukes County and Springfield MSA. Prices went down in the Boston PMSA and Barnstable, Franklin and Berkshire Counties. In the Boston PMSA, the median home price was \$205,162 in 1988 and \$197,385 in 1989 -- a reduction of \$7,777.

The average median home price for the seven areas was \$156,290 in 1988 and \$162,944 in 1989. This average may not be representative of the state as a whole. Resort areas, where second homes are a

significant portion of home sales, may be over-represented in the sample. In these resort areas, average prices rose from \$174,300 in 1988 to \$194,667 in 1989. The remaining four areas had an average decrease of \$3,631.

INCOME

Income among these seven areas does not vary as much as home prices. Boston's income (the highest) is only one-third higher than Dukes County's (the lowest), as seen in Table 3 below. The highest median income in both years was in the Boston PMSA. The lowest was in Dukes County, which, although a resort area, is rural in character.

Table 3: Income in Seven Massachusetts Areas

	1988	1989
Boston PMSA	\$41,000	\$45,000
Nantucket County	38,300	41,600
Springfield MSA	33,200	36,000
Berkshire County	31,500	34,100
Barnstable County	31,100	33,900
Franklin County	30,800	33,600
Dukes County	28,000	30,500
7 area average (unweighted)	\$33,414	\$36,385

Year-round permanent residents of a rural area are likely to have lower incomes than second home owners who are part-year residents. Average median income among these seven areas rose by nine percent between 1988 and 1989, and was up fairly evenly in all areas -- between eight and ten percent.

AFFORDABILITY ANALYSIS

The Affordability Gap is the difference between the income that is required to carry the median-priced property (at the current interest rate on a 30-year loan, with a 10 percent downpayment) and the median income in a specified area. Calculations are based on 28 percent of income for housing.

This analysis was conducted by EOCD's Office of Policy and Private Housing, for the **Massachusetts Housing Report**. Median home prices were obtained from Banker and Tradesman and derived from a "sales statistical overview by town, September 1988 vs. September 1989." Prices were based on all documents filed during the month indicated, and they included all transfers over \$50,000 and under \$1,000,000. Median income data was obtained from the U.S. Department of Housing and Urban Development. Carrying Charge, Required Income, and Affordability Gap were calculated by EOCD staff.

See accompanying Tables 4 and 5 for a more detailed methodology.

-- Mildred Rein

CORRECTION: Page 7 of the September, 1989 **Massachusetts Housing Report**, Table 4, should read, "Between last year and the second quarter of this year, the number of employed persons increased 4 percent. During the same period, the number of unemployed persons increased 23 percent, and the unemployment rate increased 0.6 percent."

Table 4

HOME PRICES, INCOME, AND AFFORDABILITY GAP IN BOSTON PMSA,
SPRINGFIELD MSA, AND FIVE MASSACHUSETTS COUNTIES, 1988

	Median Price(1)	Median Income(2)	Carrying Charge(3)	Required Income(4)	Affordability Gap(5)
BOSTON PMSA		\$41,000			
Residential	\$214,094		\$25,087	\$89,596	\$48,596
Condo	150,600		17,648	63,029	22,029
All Sales	205,162		24,042	85,864	44,864
SPRINGFIELD MSA		33,200			
Residential	135,699		15,902	56,793	23,593
Condo	102,252		11,982	42,793	9,593
All Sales	131,470		15,406	55,021	21,821
BARNSTABLE COUNTY		31,100			
Residential	140,000		16,406	58,593	27,493
Condo	125,000		14,648	52,314	21,214
All Sales	137,900		16,160	57,714	26,614
BERKSHIRE COUNTY		31,500			
Residential	117,500		13,769	49,175	17,675
Condo	125,000		14,648	52,314	20,814
All Sales	118,000		13,828	49,386	17,886
DUKES COUNTY		28,000			
Residential	150,000		17,578	62,779	34,799
Condo	n.a.		n.a.	n.a.	n.a.
All Sales	150,000		17,578	62,779	34,799
FRANKLIN COUNTY		30,800			
Residential	116,500		13,652	48,757	17,957
Condo	124,900		14,637	52,275	21,475
All Sales	116,500		13,652	48,757	17,957
NANTUCKET COUNTY		38,300			
Residential	235,000		27,539	98,354	60,054
Condo	400,000		46,874	167,407	129,107
All Sales	235,000		27,539	98,354	60,054

Sources:

- (1) Banker and Tradesman, "Real Estate Trendlines Report."
- (2) U.S. Department of Housing and Urban Development, Memorandums April 21, 1988, and February 6, 1989.
- (3) Calculation based on assumptions: 30 year mortgage at prevailing interest rates, and 10% down payment.
- (4) Based on 28% of income for housing.
- (5) Difference between columns (2) and (4).

Table 5

**HOME PRICES, INCOME, AND AFFORDABILITY GAP IN BOSTON PMSA,
SPRINGFIELD MSA, AND FIVE MASSACHUSETTS COUNTIES, 1989**

	Median Price(1)	Median Income(2)	Carrying Charge(3)	Required Income(4)	Affordability Gap(5)	Perce Chang 88-89(6)
BOSTON SMSA		\$45,000				
Resident.	\$205,253		\$25,203	\$90,012	\$45,012	-.07
Condo	148,240		18,203	66,010	20,010	-.09
All Sales	197,385		24,238	86,565	41,565	-.07
SPRINGFIELD MSA		36,100				
Resident.	133,855		16,436	58,699	22,599	-.04
Condo	115,000		14,121	50,432	14,332	+.49
All Sales	133,224		16,358	58,423	22,323	+.02
BARNSTABLE COUNTY		33,900				
Resident.	135,000		16,577	59,203	25,303	-.08
Condo	149,500		18,357	65,561	31,661	+.49
All Sales	136,000		16,700	59,642	25,742	-.03
BERKSHIRE COUNTY		34,100				
Resident.	110,000		13,507	48,240	14,140	-.20
Condo	157,000		19,278	68,851	34,751	+.67
All Sales	112,000		13,753	49,117	15,017	-.16
DUKES COUNTY		30,500				
Resident.	174,000		21,366	76,306	45,806	+.32
Condo	105,000		12,893	46,047	15,547	+.0
All Sales	158,000		19,401	69,290	38,790	+.11
FRANKLIN COUNTY		33,600				
Resident.	115,000		14,121	50,432	16,832	-.06
Condo	94,900		11,653	41,619	8,019	-.63
All Sales	114,000		13,998	49,994	16,394	-.09
NANTUCKET COUNTY		41,600				
Resident.	290,000		35,610	127,177	85,577	+.43
Condo	n.a.		n.a.	n.a.	n.a.	n.a.
All Sales	290,000		35,610	127,177	85,539	+.43

Sources:

- (1) Banker and Tradesman, "Real Estate Trendlines Report."
- (2) U.S. Department of Housing and Urban Development, Memorandums April 21, 1988, and February 6, 1989.
- (3) Calculation based on assumptions: 30 year mortgage at prevailing interest rates, and 10% down payment.
- (4) Based on 28% of income for housing.
- (5) Difference between columns (2) and (4).
- (6) Percent change in Affordability Gap between 1988 and 1989.

STATE ASSUMES SUBSIDIZED HOUSING LEADERSHIP

During the 1980's, the Commonwealth's stock of subsidized housing increased by 22 percent, from 150,841 in 1979 to 184,416 by the end of 1989. During the decade, an average of 3,360 new units for low-income families and individuals were supported with state and federal funds each year. Yet the number of units supported each year has declined. The retreat of federal investment in housing has caused the state to lose ground in the production of affordable housing.

State Investment Increases

At the beginning of the decade, 39 percent (or 58,595 units) of the total assisted stock received state subsidies. By the end of 1989, the state's contribution increased to 45 percent, or 82,199 units.

The majority (58 percent) of all federally- and state-assisted units added between 1980 and 1989 were added to the northeastern portion of the state. Suffolk County alone got 22 percent of the state's overall assisted stock. Production of assisted housing was about evenly distributed among the other three regions of the state: southeastern, 15 percent; central, 13 percent; and western, 15 percent. The northeastern region includes Essex, Middlesex, Norfolk, and Suffolk Counties.

Beginning in 1981, the federal government has retreated from its

30-year commitment to provide decent, safe, sanitary, and affordable housing to all

Assisted Housing Units in Massachusetts 1980-1989 (cumulative reservations)

	<u>1980</u>	<u>1989</u>
Northeastern	94,510	114,012
Southeastern	21,295	26,164
Central	14,947	19,159
Western	<u>20,089</u>	<u>25,081</u>
State	150,841	184,416

Americans. This retrenchment hampered the overall production of affordable housing in the state. The Commonwealth has had to assume almost entirely the responsibility to produce low- and moderate-income housing.

Between 1980 and 1982, an average of 4,690 subsidized units were contracted for each year. Forty-five percent of these units received state assistance and the balance were supported with federal funds.

Since 1983, the average annual production of assisted housing decreased by 41 percent to 2,785 units, with the state supporting 89 percent of this new annual production.

Although the average annual number of state-assisted units increased by 18 percent -- from 2,090 to 2,476 -- this increase was not enough to mitigate the 88 percent decrease in the average annual production of federally-assisted units.

**MASSACHUSETTS YEAR-ROUND AND ASSISTED HOUSING STOCK BY COUNTY
1980 - 1989**

	Year-Round Units		Assisted Units		Assisted as Percent of Year-Round	
	1980	1986	1980	1989	1980	1989
<u>Northeastern</u>	1,220,906	1,286,659	94,510	114,012	8%	9%
Essex	239,956	253,216	15,735	18,776	7%	7%
Middlesex	491,883	518,829	26,110	32,464	5	6
Norfolk	212,600	226,914	12,281	14,895	6	7
Suffolk	276,467	287,700	40,384	47,877	15	17
<u>Southeastern</u>	390,529	428,980	21,295	26,164	5%	6%
Barnstable	70,508	86,599	2,234	2,827	3%	3%
Bristol	174,536	183,766	12,038	14,741	7	8
Dukes	4,649	5,712	40	43	1	1
Nantucket	2,331	3,075	18	67	1	2
Plymouth	138,505	149,828	6,965	8,486	5	6
<u>Central</u>	235,861	258,123	14,947	19,159	6%	7%
Worcester	235,861	258,123	14,947	19,159	6%	7%
<u>Western</u>	292,845	305,785	20,089	25,081	7%	8%
Berkshire	55,466	58,228	2,611	3,208	5%	6%
Franklin	25,838	27,906	1,477	1,842	6	7
Hampden	165,736	171,179	13,315	16,685	8	10
Hampshire	45,805	48,472	2,686	3,346	6	7
State	2,140,141	2,279,547	150,841	184,416	7%	8%

Sources: Abt Associates, "Massachusetts Housing Inventory and Policy Indicators," 1988; EOCD program statistics.

Between 1980 and 1982, the state contracted for 0.8 units for every federally-assisted unit. Since 1983, the state has been supporting eight new units a year for each federally-assisted unit.

Average Annual Production of Assisted Housing Units		
	1980-82	1983-89
State	2,090	2,476
Federal	2,600	309
Total	4,690	2,785
Percent State	45%	89%
State to Federal ratio	0.8:1	8:1

Anti-Snob Zoning Act's Goal Jeopardized

According to Chapter 774 of the Acts of 1969, or the "Anti-Snob Zoning Act," at least 10 percent of a community's year-round housing stock should be low- or moderate-income housing. Until recently, low- and moderate-income housing was defined as "any housing subsidized by the federal or state government under any program to assist the construction of low- or moderate-income housing."

In 1980, seven percent of the state's housing stock was subsidized. Suffolk County had the highest percent of subsidized units (15 percent), followed by Hampden County with eight percent. Ten counties ranked lower than the statewide percentage.

Recent estimates indicate that the state's year-round housing stock increased by seven percent -- from 2,140,141 in 1980, to 2,279,547 in 1986. The housing stock in the southeastern and central regions increased at a higher rate -- 10 percent and nine percent respectively. Using this new supply estimate, the percent of low- and moderate-income units is shown to have increased by only one percent, - to eight percent, in ten years. Again, only Suffolk and Hampden Counties ranked above the statewide percentage of subsidized housing, with 17 percent and 10 percent, respectively. Three counties -- Essex, Barnstable, and Dukes -- remained at their 1980 level.

Given the expansion in the supply of year-round housing units, a statewide increase of 22 percent in the production of assisted housing is necessary to effect a one percent increase in the minimum goal set forth by Chapter 774.

The federal government has been a limiting factor in the Commonwealth's efforts to increase the supply of affordable housing. Based on the 1986 estimate of year-round housing stock and the current number of subsidized units, over 43,500 low- and moderate-income housing units are still needed to reach the 10 percent minimum goal. At the recent rate of production of 2,800 subsidized units per year, it will take an additional 16 years just to reach the goal. Had the federal government kept assisting units at its 1980-82 level, the 10 percent goal would have been reached in five years.

-- Miriam Colón

BOSTON HOUSING VACANCY RATE INCREASES, BUT REMAINS LOW

Current Vacancy Rate

The most recent survey of vacancies by the Federal Home Loan Bank shows that the Boston area's residential vacancy rate is up slightly from last year's rate. The survey was conducted between March 14 and August 1 of this year. The survey covers the Boston PMSA, which is comprised of 106 communities in seven eastern counties, and includes 134 zip code areas in Massachusetts.

The vacancy rate has remained low and basically stable with a very small increase between 1983 and 1988 (from 1.24 to 1.32). In 1989, it did rise again slightly from 1.32 to 1.54 percent, or from 13,392 to 16,204 units.

Of all current vacancies (16,204), 43 percent are in single family homes and 57 percent in multifamily buildings.

Housing Stock and Vacancies

Between 1981 and 1989, the state's total housing stock increased by nine percent, from 965,338 units to 1,050,120 units. During the same period, the number of vacant units was up 32 percent. Most of the increase in vacancies took place between 1988 and 1989, while the stock remained relatively stable.

When vacancies are disaggregated between newly-constructed and existing units, newly-constructed units show the greater increase in vacancies between 1981 and 1989 -- 75 percent. Existing unit vacancies rose by only 22 percent. The housing supply rose among single family homes from 45,395 homes in 1981 to 540,317 in 1989

(21 percent). Multifamily units, on the other hand, were down 11,254 (two percent) since 1981, but this trend was reversed in the last year when they rose by 16,905 units.

Single Family Homes and New Construction

The number of vacancies increased most rapidly in single family homes, by 149 percent. The single family stock, however, is only 21 percent higher currently than in 1981.

In multifamily homes, vacancies were down three percent, a figure consistent with the reduction in stock. When the multifamily housing stock increased in 1989, the vacancy rate went up.

In single family homes, the category of new housing vacancies increased by as much as 210 percent, from 691 to 2,145 units. Existing single family vacancies were up only 129 percent, from 2,090 to 4,785. Even in the multifamily properties, new vacancies rose by 17 percent (from 1,593 to 1,858 since 1981), while all other categories of multifamily vacancies went down. Between 1988 and 1989, new vacancies in single family attached homes grew by 156 percent. New multifamily vacancies grew 20 percent in the past year.

The disproportionate increase in vacancies in newly-constructed units may be due largely to increases in their price. Table 2, "Single Family Home Loans in Massachusetts" (page 15), shows an increase of eight percent in new home prices since March 1989, but a decrease of 13 percent in existing home prices for the same period.

RESIDENTIAL VACANCIES IN THE BOSTON PMSA, 1981-1989

	1981	1983	1988	1989	Percent Change 1981-89	Percent Change 1988-89
All Homes						
Total Units	965,338	989,770	1,013,851	1,050,120	9.0	4.0
Existing Vacancies	9,993	9,601	10,126	12,201	22.0	20.0
New Vacancies	2,284	2,626	3,266	4,003	75.0	23.0
Total Vacancies	12,277	12,227	13,392	16,204	32.0	21.0
Percent Vacant	(1.27)	(1.24)	(1.32)	(1.54)		
Single Family Detached Homes						
Total Units	445,395	451,476	459,065	466,240	21.0	2.0
Existing Vacancies	2,090	2,259	3,154	3,924	129.0	24.0
New Vacancies	691	790	1,459	1,473	210.0	1.0
Total Vacancies	2,781	3,049	4,613	5,397	149.0	17.0
Percent Vacant	(0.62)	(0.68)	(1.00)	(1.16)		
Single Family Attached Homes						
Total Units	n.a.	n.a.	62,867	74,077	----	18.0
Existing Vacancies	n.a.	n.a.	662	861	----	30.0
New Vacancies	n.a.	n.a.	263	672	----	156.0
Total Vacancies	n.a.	n.a.	925	1,533	----	66.0
Percent Vacant			(1.47)	(2.07)		
Multi-Family Homes						
Total Units	517,660	535,656	489,231	506,136	-2.0	3.0
Existing Vacancies	7,871	7,309	6,280	7,313	-7.0	16.0
New Vacancies	1,593	1,836	1,544	1,858	17.0	20.0
Total Vacancies	9,454	9,143	7,824	9,171	-3.0	17.0
Percent Vacant	(1.83)	(1.71)	(1.60)	(1.81)		
Mobile Homes						
Total Units	2,283	2,638	2,688	3,667	61.0	36.0
Existing Vacancies	32	33	30	103	222.0	243.0
New Vacancies	0	0	0	0	0.0	0.0
Total Vacancies	32	33	30	103	222.0	243.0
Percent Vacant	(1.40)	(1.25)	(1.12)	(2.81)		

Source: Federal Home Loan Bank Board, Postal Vacancy Surveys

Notes: The Boston PMSA comprises 106 communities in eastern Massachusetts.

New Vacancies = newly constructed units unoccupied.

MASSACHUSETTS HOUSING MARKET ROUNDUP

HOME SALES and PRICES: Table 1

Sales Fall But Prices Hold Steady

Despite a substantial drop in home sales, home prices have declined only slightly. The number of home sales in Massachusetts in September of 1989 decreased by 19 percent from the same month the previous year. House sales were down 16 percent, but condo sales decreased by 31 percent in the same period. (The decrease in total sales was less than the drop between May of both years when the decrease was 24 percent.)

In spite of the smaller number of sales in all categories, median prices held relatively constant between 1988 and 1989, with house prices down only \$2,035 (one percent) and condos down \$1,516 (one percent) on average. The number of sales was lower in all counties except the two resort communities of Dukes and Nantucket. Prices were down in eight counties and up in five, with one county holding steady. The number of sales increased only in the two resort counties, suggesting a rise in second home sales.

HOME LOANS: Table 2

Fewer Home Loans, But No Equivalent Price Reductions

The number of single family home loans in the first nine months of 1989 was 22 percent lower than in the same period last year. The average (as opposed to the median in Table 1) purchase price for all loans fell eight

percent, from \$176,668 to \$162,155.

There was a split between trends in new and existing home prices, with new homes being one percent higher and existing homes 10 percent lower. From March through September 1989, new single family home prices rose eight percent, while the price of existing single family homes fell 13 percent. Interest rates rose from 9.0 percent during the nine months between January and September 1988 to 10.2 percent for the same period this year.

INTEREST RATES: Table 3

Interest Rates Slightly Down But Then Rebound

Effective interest rates fell slightly from 10.5 percent in July of 1989 to 10.3 percent in August, then back to 10.5 percent in September. Fixed interest rates remained steady in July and August, but went up slightly in September. Adjustable rates were reduced from 10.5 percent in July to 9.7 percent in August, but rose again in September to 10.3 percent.

EMPLOYMENT/UNEMPLOYMENT: Table 4

Massachusetts Unemployment 4.3 Percent; Only 3 Percent Last Year

The unemployment rate in Massachusetts rose to 4.3 percent in September from 3.9 percent in August of this year. A comparison to

September of 1988 shows a larger increase -- from 3.0 percent to 4.3 percent one year later. The Massachusetts rate of 4.3 percent is higher than the 3.9 percent rate for all of New England, but lower than the national rate of 5.1 percent.

CONSUMER PRICES: Table 5

Homeowner Costs Rise Faster Than Renter Costs

The overall Consumer Price Index increased 4.8 percent in September of 1989 over September 1988, but only 1.4 percent from July of this year. Renters had an increase in prices of 5.9 percent over September 1988, but a modest 1.2 percent increase since this past July. The homeowner price index rose by as much as 7.1 percent compared to last year, and by four percent since July of 1989. Homeowner costs were 13.3 points higher than renter costs in September of 1989, but only 9.3 points higher in July. These figures indicate that the costs to homeowners have grown faster than renter costs.

MASSACHUSETTS HOUSING STARTS: Table 6

Housing Starts Fall 23 Percent From Previous Year

Between June and July of this year, Massachusetts housing starts fell by 2,500, and by 7,000 between July 1988 and July 1989. The drop in housing starts from July 1984 to July 1989 was 23 percent (6,900 units). Massachusetts housing starts were also down in July 1989 from the previous year by 23 percent, whereas the New England rate fell only 13.3 percent. The U.S. rate declined 3.7 percent

as housing starts fell to 1,424,000 -- a six-year low.

MASSACHUSETTS BUILDING PERMITS: Table 7

Multifamily Permits Rise While Other Housing Permits Fall

Total Massachusetts residential building permits were 32 percent lower in the 1989 period of January-September than in the same period in 1988. Single family permits decreased by 31 percent, 2-4 family buildings by 22 percent, and multifamily buildings by 38 percent. However, multifamily permits increased in September over August and rose by a substantial 40 percent since June of this year. Single family home permits, by contrast, dropped 13 percent since June, while 2-4 family units went down 25 percent in the same period. Thus, there appears to be a recent shift to the development of multifamily homes.

MASSACHUSETTS HOUSING REPORT

*A publication of the Executive Office of
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Report**, EOCD, 100 Cambridge Street,
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Table 1
RESIDENTIAL SALES AND PRICES BY MASSACHUSETTS COUNTY

	Number of Sales				Median Sales Price	
	Sept. 1989	Sept. 1988	YTD 1989	YTD 1988	Sept. 1989	Sept. 1988
All Sales						
Barnstable	520	662	4,006	5,111	\$136,000	\$137,900
Berkshire	191	227	1,607	1,914	112,000	118,000
Bristol (2)	674	790	4,529	5,262	131,900	130,000
Dukes	44	35	304	374	158,000	150,000
Essex	765	1,061	6,954	8,693	150,000	157,000
Franklin (2)	106	113	609	758	114,000	116,500
Hampden	564	638	4,287	5,603	120,000	115,000
Hampshire	190	222	1,462	1,579	120,815	127,000
Middlesex (2)	1,855	2,294	11,838	14,100	182,000	174,900
Nantucket	31	17	191	339	290,000	235,000
Norfolk	839	962	6,906	8,210	165,500	169,900
Plymouth	596	772	5,544	6,707	135,000	141,500
Suffolk	648	842	5,674	6,948	150,000	150,000
Worcester	835	1,048	7,053	8,859	129,900	133,000
Total (3)	7,848	9,683	60,964	74,457	\$149,785	\$149,841
Residential (1)						
Barnstable	436	563	3,475	4,279	\$135,000	\$140,000
Berkshire	170	212	1,475	1,753	110,000	117,500
Bristol (2)	674	790	4,529	5,262	138,000	135,000
Dukes	40	35	286	363	174,000	150,000
Essex	573	798	5,363	6,545	162,500	167,600
Franklin (2)	101	105	571	681	115,000	116,500
Hampden	523	542	4,010	4,644	120,000	120,000
Hampshire	166	171	1,284	1,359	122,000	130,500
Middlesex (2)	1,419	1,663	8,978	10,291	195,000	189,900
Nantucket	17	30	191	339	290,000	235,000
Norfolk	692	734	5,420	6,247	175,000	185,000
Plymouth	539	694	4,908	5,831	139,000	142,900
Suffolk	319	367	2,800	3,069	165,000	175,000
Worcester	744	902	6,120	7,495	131,500	136,000
Total (3)	6,413	7,606	49,410	58,158	\$154,904	\$156,939
Condominiums						
Barnstable	84	99	531	832	\$149,500	\$125,000
Berkshire	21	15	132	161	157,000	125,000
Bristol (2)	94	112	663	855	103,215	112,000
Dukes	4	0	18	11	105,500	
Essex	182	263	1,591	2,148	113,000	131,900
Franklin (2)	5	8	38	77	94,900	124,900
Hampden	41	96	277	959	104,000	90,000
Hampshire	24	51	178	220	109,000	107,750
Middlesex (2)	436	631	2,860	3,809	140,000	142,000
Nantucket	0	1	4	22		400,000
Norfolk	147	228	1,486	1,963	135,500	143,900
Plymouth	57	78	636	876	124,000	132,400
Suffolk	329	475	2,874	3,879	137,800	138,186
Worcester	91	146	933	1,364	119,500	110,000
Total (3)	1,515	2,203	12,221	17,176	\$130,783	\$132,299

Notes: (1) All homes except condominiums.
 (2) August figures.
 (3) Total prices are calculated weighted averages of sales prices.

Source: Banker and Tradesman, "Real Estate Trendlines Report"
 September, 1989

Table 2
SINGLE-FAMILY HOME LOANS IN MASSACHUSETTS

All Home Loans				Average Purchase Price	
	Estimated Number of Loans	Average Purchase Price (1)	Average Contract Interest Rate(%)	New Homes	Existing Homes
1984	6,580	\$94.4	12.78	\$95.1	\$93.0
1985	7,632	116.8	11.82	128.8	113.3
1986	8,925	146.9	10.07	149.7	145.7
1987	8,126	167.9	9.00	179.4	164.2
1988	6,865	175.4	9.18	186.7	171.1
January-Sept. '88	5,020	176.7	9.00	182.9	172.4
January-Sept. '89	3,895	162.1	10.16	185.3	154.9
March 1989	294	172.9	9.94	184.0	167.3
April 1989	345	167.2	10.39	220.2	154.6
May 1989	457	162.9	10.47	166.9	158.1
June 1989	610	162.2	10.45	206.7	150.2
July 1989	327	163.8	10.26	144.7	168.3
August 1989	571	157.6	10.02	157.8	156.0
September 1989	568	156.0	10.17	198.5	144.9

Note: (1) Prices in \$1000s.

Source: Federal Home Loan Bank Board, First (Boston) District,
"Mortgage Interest Rate Survey", 1984-1989.

Table 3
RECENT EFFECTIVE INTEREST RATES FOR HOME MORTGAGES
IN MASSACHUSETTS

		All Loans	30-Year Fixed	One-Year Adjustable
<u>1988</u>	June	9.30%	10.56%	8.80%
	July	9.20	10.67	8.64
	August	9.58	10.76	8.97
	September	9.80	11.01	9.18
	October	9.86	10.99	9.33
	November	9.91	10.68	9.04
	December	9.91	10.62	9.35
<u>1989</u>	January	10.16	10.66	9.65
	February	10.23	10.89	9.88
	March	10.21	10.80	9.70
	April	10.68	11.25	9.81
	May	10.74	11.23	10.75
	June	10.70	10.68	10.72
	July	10.46	10.25	10.49
	August	10.28	10.32	9.74
	September	10.47	10.52	10.27

Source: Federal Home Loan Bank, First (Boston) District.

Table 4
EMPLOYMENT AND UNEMPLOYMENT
(numbers in thousands)

	1987	1988	June '89	July '89	Aug. '89	Sept. '89	Sept. '88
Massachusetts							
Persons Employed	2,987	3,041	3,176	3,096	3,117	2,978	3,032
Persons Unemployed	99	103	127	148	126	134	94
Rate	3.2%	3.3%	3.9%	4.6%	3.9%	4.3%	3.0%
New England	3.3%	3.1%	3.7%	4.0%	3.7%	3.9%	2.8%
U.S.	6.2%	5.5%	5.5%	5.3	5.1	5.1	5.2

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 5
CONSUMER PRICE INDEX FOR BOSTON (1)

Month of May	CPI	Renter Index	Homeowner Index
1984	104.3	104.9	110.2
1985	108.4	111.8	116.4
1986	111.0	121.8	125.5
1987	115.3	128.4	132.6
1988	123.1	139.4	147.3
1989	130.5	147.7	157.0
July, 1989	130.3	147.8	157.1
July, 1988	123.8	138.4	150.0
Percent Change	+5.3	+6.8	+4.7
September, 1989	132.2	149.6	162.9
September, 1988	126.2	141.2	152.1
Percent Change	+4.8	+5.9	+7.1

Notes: (1) Non-seasonally adjusted cost indices,
1982-84=100, urban consumers.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 6
MASSACHUSETTS HOUSING STARTS (1)
(numbers in thousands)

	1984	1985	1986	1987	1988	1989	Percent Change 1984-89	Percent Change 1988-89
January	16.8	30.0	46.2	36.9	35.2	29.5	+75.6	-16.2
February	21.7	27.9	59.2	38.8	33.0	19.0	-12.4	-42.4
March	27.2	32.1	54.1	40.0	34.5	23.4	-14.0	-32.2
April	27.8	35.7	50.6	34.4	38.9	30.2	+8.6	-22.4
May	26.4	35.6	42.9	28.2	31.0	29.4	+11.4	-5.2
June	31.9	35.7	36.1	32.8	30.9	25.7	-19.4	-16.8
July	30.1	31.6	35.7	42.4	30.2	23.2	-22.9	-23.0
New England (2)	71.5	83.1	93.7	94.6	77.0	66.7	-6.7	-13.3
United States	1730.0	1663.0	1782.0	1598.0	1478.0	1424.0	-17.7	-3.7

Notes: (1) Seasonally adjusted, annualized estimates.

(2) Figures for New England and the U.S. are for July.

Source: Federal Home Loan Bank Board, First (Boston) District,
First District Facts, September 29, 1989, Table 6.

Table 7
MASSACHUSETTS BUILDING PERMITS

	Total	Single Family	2 to 4 Family	Multi- Family	Demolitions
1984	29,288	21,184	2,245	5,859	848
1985	39,196	25,594	2,996	10,606	983
1986	45,215	28,110	3,982	13,123	971
1987	40,419	25,311	3,874	11,234	1,203
1988	30,482	20,112	3,141	7,229	1,213
March 1988	3,319	1,971	273	1,075	76
April 1988	2,733	1,590	247	896	151
May 1988	2,378	1,797	234	347	81
June 1988	3,041	1,873	241	927	74
July 1988	2,146	1,483	295	368	78
August 1988	2,290	1,580	207	503	137
September 1988	2,111	1,383	246	482	78
March 1989	1,799	1,143	193	463	85
April 1989	1,898	1,169	153	576	66
May 1989	1,680	1,165	171	344	80
June 1989	1,706	1,189	226	291	77
July 1989	1,657	958	218	481	65
August 1989	1,618	1,091	190	337	75
September 1989	1,613	1,039	169	405	58
Jan.-Sept. '88	21,340	13,498	2,143	5,699	835
Jan.-Sept. '89	14,452	9,275	1,670	3,507	632
Percent Change	-32.3	-31.3	-22.1	-38.5	-24.3

Source: U.S. Department of Commerce, Bureau of the Census, "State/County Permits Authorized Construction in Permit Issuing Places."

EXECUTIVE
OFFICE OF
COMMUNITIES &
DEVELOPMENT



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MASSACHUSETTS HOUSING REPORT



MASSACHUSETTS HOUSING REPORT

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IN THIS ISSUE...

CONDOS IN BOSTON

The explosive growth of condominium development in Boston since the early 1980s left a glut of units on the market. Sales have been decreasing every year since 1987 by 20 to 30 percent. In spite of drastically reduced sales, condo prices are high and have held steady. Given these high prices, their affordability to Boston households is low. Condos also affect the supply of low cost rental apartments since 75 percent are conversions of existing units rather than new construction.

HOUSING PROFILE OF MASSACHUSETTS AND BOSTON ELDERLY

Massachusetts' elderly population in proportion to its total population is seventh highest in the nation, and has increased by 10 percent between 1980 and 1987. The need for elderly housing has grown accordingly. This article reviews the findings of the U.S. Census 1985 American Housing Survey on elderly households. Data on the household composition, income, sources of income, assets, housing quality, housing finance and value, and housing costs of the elderly are reported and analyzed.

MASSACHUSETTS HOUSING MARKETS

Home sales continue their downward trend, dropping 19 percent from March 1989 to March 1990. Although median prices have fallen in some areas and risen in others across the state, overall, they appear to be holding. The number of home loans, too, has declined -- by 16 percent in 1989 over 1988. Average (not median) purchase prices of homes where loans were obtained, declined by 6.5 percent (\$11,500). New home prices declined less than prices for existing homes. Unemployment continues to rise in Massachusetts and in New England, but declined slightly in the U.S. The CPI rose again 5.1 percent with renter costs rising more than homeowner costs. Both housing starts and building permits fell.

CONTENTS

CONDOS IN BOSTON.. Page 2

HOUSING PROFILE OF
MASSACHUSETTS AND
BOSTON ELDERLY Page 5

MASSACHUSETTS
HOUSING MARKET
ROUNDUP Page 8

MASSACHUSETTS HOUSING REPORT

A Publication of
The Executive Office of Communities and Development
Amy S. Anthony, Secretary
Richard T. Howe, Deputy Secretary

Office of Program and Policy Development
Mark L. Matulef, Director
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CONDOS IN BOSTON

The most noticeable trend in Boston housing has been the explosive growth of condominium development. Between 1985 and 1987, 14,464 condominium units were created -- compared to only 4,531 in the 1969 to 1979 decade. In 1987, condo sales comprised 58 percent of all property sales. After 1987, condo units accounted for as much as 12 percent of the City's total housing stock.

This tremendous surge in condo creation came in response to several market and demographic trends: the first substantial increase in population in forty years between 1980 and 1985 of 38,000 persons, climbing housing prices, a housing shortage, a growing economy, and the rise in small professional families that wanted home ownership but could not afford the high price of houses.

In 1988, condo development slowed, partly as a result of the federal Tax Reform Act of 1986 which limited investor profits, and because of the glut on the market. In 1988, only 2,357 units were created, less than half of the 1987 number. Condo sales fell to 51 percent of all sales. This trend to less condo formation and lower sales continues into the present. Preliminary data from the Boston Redevelopment Authority (BRA) shows that condo stock in 1989 increased by only 1,800 units. Condo sales in this year accounted for 50 percent of all sales in Boston.

SALES

The City of Boston has seen

drastic reductions in the volume of condo sales in the last few years, but prices have not come down as a result. Between 1987 and 1988, sales dropped from 5,596 to 4,123 or 26 percent. In 1989, sales dropped another 22 percent. Condo sales fell most rapidly between 1987 and 1989 in Brighton (60 percent), Charlestown (47 percent), Hyde Park (51 percent), and West Roxbury (50 percent). Only Roxbury and South Boston saw an increase in sales.

The year 1990 seems to be following the same trend. Condo sales were down in Boston 31 percent in February 1990 from the same month a year ago, and were 30 percent lower in April this year than in April of 1989.

Table 1: Condominium Sales

	1987	1989	%Change
Brighton	964	390	-60.0
Hyde Park	78	38	-51.0
West Roxbury	280	141	-50.0
Charlestown	311	166	-47.0
Jamaica Plain	352	193	-45.0
Boston	2,700	1,506	-44.0
Roslindale	89	59	-34.0
East Boston	153	103	-33.0
Allston	165	113	-31.5
Dorchester	276	234	-15.2
Mattapan	20	19	-5.0
South Boston	143	180	26.0
Roxbury	65	88	35.0
CITYWIDE	5,596	3,230	-42.0

House sales didn't fare as badly, although they were also down. In 1988, house sales dropped only 10 percent from the previous year. In 1989, house sales were seven percent lower. Between February of 1989 and February 1990, the number of house sales went down by five percent only.

PRICES

In spite of the remarkable drop in condo sales, condo prices did not follow suit. In Boston, the median price of condos actually increased between 1987 and 1988 from \$116,895 to \$127,042 -- 8.7 percent. In 1989, the price was \$125,331 -- only 1.3 percent lower. Between February 1989 and February 1990, the price rose again -- less than one percent.

More recently, between September 1989 and February 1990, the median condo price went up 3.8 percent (while the number of sales during this period fell by 52 percent!). In April of 1990, condo prices finally fell, but only by 5.8 percent since February 1990. House prices also increased (despite reduced sales) by 3.5 percent between 1987 and 1989, and by 7.7 percent between February of last year and February 1990.

Table 2: Condominium Prices

	Feb.89	Feb.90	%Change
E.Boston	\$110,000	\$145,644	32.4
W.Roxbury	118,000	148,000	25.4
Roslindal	134,000	165,000	23.1
Brighton	125,000	138,000	10.4
Hyde Park	116,000	127,000	9.5
Jamaica P.	128,000	125,000	-2.3
Dorchster	123,900	114,000	-8.0
Boston	148,000	135,000	-8.8
S.Boston	122,500	105,000	-14.3
Roxbury	143,500	114,000	-20.6
Allston	131,000	95,000	-27.5
Mattapan	80,000		
Chastown	186,000		
CITYWIDE	128,146	128,331	-00.1

NEIGHBORHOOD DIFFERENCES

Condo prices are higher now in Roslindale, West Roxbury, and East Boston than in the other neighborhoods. In 1987 and 1988, it was downtown Boston

that had the highest prices. Condo development came earlier in the downtown and near-downtown neighborhoods. Development has now expanded to the more outlying areas. Downtown Boston had fallen to fifth place in price as of February of this year.

Since condos differ so much in age, size, and amenities, it is difficult to relate their prices to neighborhood characteristics such as household income. However, there does seem to be some correlation between price and whether condos are newly constructed or are conversions of existing properties. In East Boston, for example, in 1988, 33 percent of condos were newly built, and in Roslindale 83 percent were new. This high proportion of new construction is reflected in higher condo prices in 1990. Allston-Brighton's condos are 57 percent new, and Brighton's prices also rank among the highest.

When neighborhood condo prices are compared to neighborhood income, there is not much correlation, although this is what would be expected. Condos are often created in areas that are being renovated and thus may outprice the neighborhoods they are in. Affordability is consequently low. This is currently true in East Boston and Roslindale with the highest affordability gaps. Conversely, in more affluent central Boston, condos are older and may not command as high a price as these areas warrant. The affordability gap here is only \$19,751 (see Table 3).

AFFORDABILITY

Since condo prices have held stable, their affordability to

Table 1
Income Distribution of Elderly
Households, Boston CMSA, 1985

Household Income	Percent Owners	Percent Renters
Under \$9,000	6.0	60.0
\$ 10,000- 19,999	31.0	23.0
20,000- 29,999	20.0	12.0
30,000- 39,999	9.0	2.0
40,000- 59,999	9.0	3.0
60,000- 99,000	4.0	0.0
100,000 or more	1.2	0.4
Median Income	\$18,026	\$8,901

Elderly households have lower median incomes than the non-elderly. This is true for both renters and owners. Income was 40 to 62 percent lower in the '65 and over' households than in the 45 to 64 age group. However, different groups of elderly experienced different rates of decline. For example, the median household income of female-headed, non-married, two-or-more persons renter households was 28 percent lower -- \$18,620 -- for the 45 to 64 year olds and \$13,381 for the 65 years and older group.

The vast majority of elderly received Social Security and/or pensions. The sources of income of the elderly homeowners were varied: 52 percent from interest or dividends, 37 percent from wages and salaries, 16 percent received rental income, six percent from business, farm and ranch operations, and three percent from SSI.

Elderly renters derived their income from Social Security, 94

percent; interest or dividends, 24 percent; wages and salaries, 21 percent; and SSI, 12 percent. Four times more renters than owners received SSI income.

ASSETS

Data on savings and investments was collected only for those elderly households with incomes of \$20,000 or less. This represented 66 percent of homeowners and 86 percent of renters. Almost 16 percent of elderly owners and 42 percent of renters did not have any savings or investments. Nearly 66 percent of owners and 50 percent of renters had savings of \$20,000 or less. Only nine percent of elderly renters and 19 percent of elderly owners had savings over \$20,000.

HOUSING QUALITY

Approximately seven percent of renters living in units with common stairways reported having problems with loose steps. Both renters and owners complained about broken plaster, peeling paint, or open cracks or holes. Elderly renters mentioned these deficiencies more often than elderly owners. Less than one percent of elderly owners and two percent of renters reported severe problems with plumbing, heating, electric, upkeep, or hallways.

HOUSING TYPE

The majority of elderly owners (75 percent or 144,000) lived in single-family detached homes. More elderly renters lived in multifamily buildings. Approximately 35 percent of

elderly renters lived in buildings of two to four units, and 58 percent in buildings of five or more units.

HOME FINANCE AND VALUE

The median value of an elderly person's home in 1985 was \$100,632. At a median income of \$18,026, the value of the home was five times the income. When these homes were purchased their cost was, on average, \$15,372. Therefore, elderly homes appreciated in real terms about 68 percent or 1.9 percent annually, in 28 years.

To purchase a home, elderly owners used their savings and cash on hand for a downpayment. Only 25 percent used the proceeds from the sale of a previous home. Eighty-two percent of the elderly owned their home "free and clear" of mortgage obligations. Those who still held a mortgage in 1985, typically had 10 more years to repay it with a median outstanding principal of \$10,000 and an average interest rate of 7.5 percent.

HOUSING COSTS

On average, both elderly homeowners and renters paid about \$300 per month for housing costs. But elderly renters paid a higher percent of their income for housing -- 33 percent in contrast to 23 percent for homeowners.

Among renters, elderly female-headed, two-or-more person households paid 38 percent of their income for housing. Elderly renters overall paid a higher proportion of their

income for housing costs than elderly owners. Conversely, elderly females living alone in their own homes paid a higher proportion of their income for housing than their counterparts in rental units. Table 2 shows the various types of elderly households that paid more than 30 percent of their income for housing costs in 1985.

Table 2
Housing Costs And Income

Household Type	Housing Costs As Percent Of Income
All Elderly Households	28.0
Owners	23.0
Renters	33.0
Two-or more persons	
Married couple renter	33.4
Other female-headed renter	38.4
One-person	
Female owner	37.0
Male renter	36.5
Female renter	34.9
Male owner	30.4

RENT SUBSIDIES

Rents were lowered for 34 percent of elderly renters. Of these, 62 percent received public subsidies, 26 percent paid landlord-reduced rents, and 12 percent lived in rent-controlled units. Of the public subsidy group, 46 percent lived in public housing, 34 percent lived in other federally subsidized housing, and 20 percent received other state, local, or other subsidies.

--- Miriam Colón

MASSACHUSETTS HOUSING MARKET ROUNDUP

HOME SALES AND PRICES: Table 1

Sales Continue Downward Trend

Home sales were lower in every category and in every county. Between March 1989 and March 1990 and across the state, residential sales were down 17 percent and condominium sales were down 34 percent. Sales were most reduced in Dukes County (37 percent), Nantucket County (35 percent), and Worcester County (33 percent). The 1989-90 price trend was uneven. Prices of "all sales" were higher in Middlesex and Nantucket Counties and lower in the remaining 12 counties. Prices in March of 1990 were at least \$10,000 lower than in March of last year in Dukes, Essex, Hampshire, Suffolk, and Worcester Counties. If the median prices in all counties were averaged (not the statewide median or average), the result would be virtually identical -- \$142,233 in 1989 and \$142,425 in 1990.

HOME LOANS: Table 2

Loan Volume Declines In 1989, But New Home Prices Rise In Recent Months.

There were 16 percent fewer home loans in 1989 than in 1988 with an average home purchase price that was \$11,500 (6.5 percent) lower. Of these, the decline in the price of new homes (\$9,200) was less than that in existing

homes (\$11,200). From July of 1989 to January of 1990, the average purchase price of loans went down by \$3,600. The price of existing home loans declined \$9,300, but new home loans were for properties the prices of which actually rose by a large \$19,200 or 13 percent. Contract interest rates were somewhat lower in January of 1990 (9.50 percent) on all types of home loans than in July of 1989 (10.26 percent).

INTEREST RATES: Table 3

Interest Rates Remain Stable

Effective interest rates (rates that include points) on Massachusetts home mortgage loans were slightly lower in March of this year than in November of 1989. Fixed-rate loans, however, rose from 10.17 percent to 10.34 percent. Boston metropolitan area interest rates were about the same. U.S. interest rates also decreased slightly during the period, except for fixed-rate loans which rose somewhat. Massachusetts interest rates are similar to national rates.

EMPLOYMENT/UNEMPLOYMENT: Table 4

State's Unemployment Rate Continues To Climb, While U.S. Rate Drops.

The annual average unemployment rate in Massachusetts has been

steadily going up since 1987 when it was as low as 3.2 percent. From January 1990 to March 1990, there was a rise from 5.0 to 5.9 percent. In March, one year ago, the rate was 4.0 -- 1.9 percentage points lower. The number of persons employed, however, rose from 1987 to 1989 by 66,000. The New England unemployment rate is similar to that of Massachusetts, rising from 3.7 percent in March 1989 to 5.8 percent in March of 1990. The U.S. rate went in the reverse direction, moving from 6.2 percent in 1987 to 5.4 percent in March 1990.

CONSUMER PRICES: Table 5

CPI Rises Again In 1990.

The Consumer Price Index rose 6.6 points to 136.3 from March 1989 to March 1990, a 5.1 percent increase. The renter index increased more than the homeowner index (3.4 percent and 1.3 percent respectively). The CPI rose 7.4 points to 130.5 between May 1988 and May 1989 and has been going up steadily since 1984 when it was 104.3. The CPI increased more for homeowners during the May 1988-89 period than for renters.

HOUSING STARTS: Table 6

Massachusetts Housing Starts Decline But Less Than In Previous Year.

Housing starts in Massachusetts declined in February 1990 15.8

percent from February 1989 (from 19,000 the previous year to 16,000 in 1990.) New England housing starts decreased by 38.4 percent during the same period. By contrast, U.S. starts dropped only 0.5 percent. However, the decline in housing starts between February 1989 and February 1990 in Massachusetts is far smaller than the reduction the previous year (between February 1988 and 1989) which was as high as 42.4 percent.

MASSACHUSETTS BUILDING PERMITS: Table 7

Building Permits Fall, But Multifamily Permits Rise.

Building permits in Massachusetts for the fourth quarter of 1989 decreased by 26 percent from building permits issued in the same period in 1988. Single family permits declined 26 percent, while 2-4 family permits fell 33 percent and multifamilies fell 22 percent. In January of 1990, total permits (1,263) were also down from January 1989 (1,315). However, while single family and 2-4 family permits fell, permits for multifamily units rose by 166 units or 58 percent. Demolitions fell by 15 percent for the fourth quarter of 1989 as compared to the same period in 1988. However, demolitions showed an increase of 31 buildings in January of 1990 over January, 1989 (101 and 70 respectively).

Table 1
RESIDENTIAL SALES AND PRICES BY MASSACHUSETTS COUNTY

	Number of Sales				Median Sales Price	
	March 1990	March 1989	YTD 1990	YTD 1989	March 1990	March 1989
All Sales (1)						
Barnstable	395	487	1,076	1,220	\$133,000	\$134,500
Berkshire	112	156	316	454	125,000	112,000
Bristol	447	589	1,248	1,566	126,000	130,000
Dukes	22	35	80	96	140,000	167,000
Essex	586	745	1,577	1,995	143,500	160,000
Franklin	61	62	156	164	105,000	107,000
Hampden	403	419	1,008	1,222	113,000	117,765
Hampshire	102	138	278	354	116,000	126,000
Middlesex	1,106	1,450	2,940	3,783	168,000	165,000
Nantucket	15	23	53	79	275,000	195,000
Norfolk	624	709	1,661	1,923	155,000	160,000
Plymouth	531	601	1,352	1,572	135,000	138,000
Suffolk	462	564	1,299	1,641	147,000	157,000
Worcester	103	153	314	415	112,450	122,000
Total	4,969	6,131	13,358	16,484		
Residential (2)						
Barnstable	347	427	935	1,058	\$135,000	\$135,000
Berkshire	105	140	297	417	122,000	113,000
Bristol	399	498	1,078	1,329	129,900	133,000
Dukes	22	31	79	88	140,000	150,000
Essex	483	586	1,279	1,559	150,000	168,000
Franklin	59	59	146	155	102,500	107,000
Hampden (3)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Hampshire	93	123	252	315	116,050	127,000
Middlesex	886	1,071	2,280	2,831	178,500	176,000
Nantucket	14	23	51	78	275,000	195,000
Norfolk	524	551	1,371	1,468	165,000	170,000
Plymouth	482	548	1,184	1,401	137,000	140,000
Suffolk	267	310	768	859	155,000	170,000
Worcester	508	668	1,389	1,829	127,500	132,000
Total	4,189	5,035	11,109	13,387		
Condominiums						
Barnstable	48	60	141	162	\$127,000	\$120,520
Berkshire	7	16	19	37	216,685	105,000
Bristol	48	91	170	237	95,100	117,000
Dukes	0	4	1	8		350,000
Essex	103	159	298	436	120,000	126,900
Franklin	2	3	10	9	140,000	86,000
Hampden (3)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Hampshire	9	15	26	39	95,000	125,000
Middlesex	220	379	660	952	117,000	133,000
Nantucket	1	0	2	1		
Norfolk	100	158	290	455	124,800	128,750
Plymouth	49	53	168	171	117,500	119,900
Suffolk	195	254	531	782	128,000	145,000
Worcester	73	112	221	291	106,500	114,000
Total	855	1,304	2,537	3,580		

(1) Residential and condominiums

(2) All homes except condominiums.

(3) Hampden County did not disaggregate residential and condominium sales.

Source: Banker and Tradesman, "Real Estate Trendlines Report" March 1990

Table 2
SINGLE-FAMILY HOME LOANS IN MASSACHUSETTS

		All Home Loans			Average Purchase Price	
		Estimated Number of Loans	Average Purchase Price (1)	Average Contract Interest Rate(%)	New Homes	Existing Homes
1984		6,580	\$94.4	12.78	\$95.1	\$93.0
1985		7,632	116.8	11.82	128.8	113.3
1986		8,925	146.9	10.07	149.7	145.7
1987		8,126	167.9	9.00	179.4	164.2
1988		6,865	175.4	9.18	186.7	171.1
1989		5,743	163.9	10.03	177.5	159.9
July	1989	327	163.8	10.26	144.7	168.3
August	1989	571	157.6	10.02	157.8	156.0
September	1989	568	156.0	10.17	198.5	144.9
October	1989	611	175.4	9.67	167.3	177.7
November	1989	600	155.6	9.49	146.9	157.4
December	1989	637	172.1	9.73	161.5	173.9
January	1990	588	160.2	9.50	163.9	159.0

Note: (1) Prices in 1000s.

Source: Federal Home Loan Bank Board, First (Boston) District,
"Mortgage Interest Rate Survey", 1984-1989, and January 1990.

Table 3
RECENT EFFECTIVE* INTEREST RATES FOR HOME MORTGAGE LOANS
(in percentages)

	Nov. 1989	Dec. 1989	Jan. 1990	Feb. 1990	Mar. 1990
Mass. All Loans	10.13	10.12	10.03	10.08	10.09
Mass. Fixed-Rate Loans	10.17	10.19	10.16	10.16	10.34
Boston CMSA Existing Homes	10.16	10.15	10.08	10.08	10.15
U.S. All Loans	10.13	10.00	9.97	10.04	10.07
U.S. Fixed-Rate Loans	10.36	10.20	10.12	10.30	10.38
U.S. New Homes	10.09	10.07	9.91	9.88	10.03
U.S. Existing Homes	10.12	9.96	9.98	10.06	10.07

Note: * Effective Interest Rates include points charged at closing, amortized over ten years.

Source: Federal Home Loan Bank, "First District Facts," April 30, 1990.

Table 4
EMPLOYMENT AND UNEMPLOYMENT
(numbers in thousands)

	1987	1988	1989	Jan. 90	Feb. 90	Mar. 90	Mar. 89
Massachusetts							
Persons Employed	2,987	3,041	3,053	3,049	3,049	3,049	3,102
Persons Unemployed	99	103	127	155	183	188	127
Rate	3.2%	3.3%	4.0%	5.0%	5.8%	5.9%	4.0%
New England	3.3%	3.1%	3.9%	5.0%	5.6%	5.8%	3.7%
U.S.	6.2%	5.5%	5.3%	5.9%	5.8%	5.4%	5.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Rates are not seasonally adjusted.

Table 5
CONSUMER PRICE INDEX FOR BOSTON (1)

Month of May	CPI	Renter Index	Homeowner Index
1984	104.3	104.9	110.2
1985	108.4	111.8	116.4
1986	111.0	121.8	125.5
1987	115.3	128.4	132.6
1988	123.1	139.4	147.3
1989	130.5	147.7	157.0
January 1989	129.0	148.8	156.7
January 1990	136.0	152.0	161.6
Percent Change	+5.4	+2.2	+3.1
March 1989	129.7	147.8	160.4
March 1990	136.3	152.9	162.5
Percent Change	+5.1	+3.4	+1.3

Notes: (1) Non-seasonally adjusted cost indices, 1982-84=100,
urban consumers.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 6
HOUSING STARTS
(numbers in thousands)

	1988	1989	1990	Percent Change 1988-89	Percent Change 1989-90
Massachusetts					
September	33.4	26.5		-20.7	
October	31.5	21.2		-32.7	
November	32.2	19.2		-40.4	
December	36.1	21.6		-40.2	
January	35.2	29.5	19.8	-16.2	-32.9
February	33.0	19.0	16.0	-42.4	-15.8
New England	105.1	64.9	40.0	-38.2	-38.4
U.S.	1,519.0	1,465.0	1,457.0	-03.6	-00.5

Notes (1) Seasonally adjusted, annualized estimates.
(2) Figures for New England and the U.S. are for the month of February.

Source: Federal Home Loan Bank, First (Boston) District, "First District Facts," April 30, 1990.

Table 7
MASSACHUSETTS BUILDING PERMITS

	Total	Single Family	2 to 4 Family	Multi- Family	Demolitions
1984	29,288	21,184	2,245	5,859	848
1985	39,196	25,594	2,996	10,606	983
1986	45,215	28,110	3,982	13,123	971
1987	40,419	25,311	3,874	11,234	1,203
1988	30,482	20,112	3,141	7,229	1,213
1989	21,283	14,521	2,321	4,441	909
August 1988	2,290	1,580	207	503	137
Sept. 1988	2,111	1,383	246	482	78
Oct. 1988	2,277	1,506	223	548	74
Nov. 1988	1,901	1,260	303	338	79
Dec. 1988	1,647	1,057	199	391	111
Jan. 1989	1,315	868	159	288	70
August 1989	1,618	1,091	190	337	75
Sept. 1989	1,613	1,039	169	405	58
Oct. 1989	1,674	1,077	134	463	84
Nov. 1989	1,503	1,017	191	295	80
Dec. 1989	1,135	739	162	234	60
Jan. 1990	1,263	706	103	454	101
Oct.-Dec. '88	5,825	3,823	725	1,277	264
Oct.-Dec. '89	4,312	2,833	487	992	224
Percent Change	-26.0	-26.0	-33.0	-22.0	-15.0

Source: U.S.Department of Commerce, Bureau of the Census, "State/County Permits Authorized Construction in Permit Issuing Places."

EXECUTIVE OFFICE OF COMMUNITIES & DEVELOPMENT



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MASSACHUSETTS HOUSING REPORT



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IN THIS ISSUE...

RENT SURVEY CONFIRMS OBSTACLES TO HOME OWNERSHIP

Massachusetts renters may be capable of carrying higher mortgages with relaxed qualifying criteria, but they still cannot afford to purchase a home in their communities. The article presents income and rent data for the state's eleven regional planning areas and selected municipalities and discusses renters' ability to purchase a home under two different scenarios. The current slowdown of the housing market has not increased renters' homebuying power.

MASSACHUSETTS' INNOVATIVE HOUSING PROGRAM

The unique EOCDF Housing Innovations Fund (HIF) program was created to aid in the development of alternative forms of housing for low income persons and families. HIF provides loans for development of single room occupancy (SRO) units, limited equity coops, and special needs housing. Long-term affordability is assured through the HIF financing structure which allows for deferred repayment of the loan if certain affordability conditions are met. Since its inception in 1987, 93 HIF projects with 2,144 units have been funded.

MASSACHUSETTS HOUSING MARKETS

The median price of houses in Massachusetts (\$150,000) fell in June 1990 as compared with June 1989 by 5.1 percent, but condominium prices held. Sales continued their downward trend, 21.1 percent lower than in June of last year. The average price of a single family home with a recent loan remained even at \$165,000 between January and May. New home prices were higher than existing homes. Unemployment again increased in the state, from 3.9 in June 1989 to 5.8 percent in June 1990. During the same period, the national rate declined slightly. Boston's CPI rose 5.9 points between July 1989 and July 1990. Homeowner costs rose faster than renter costs. Massachusetts housing starts were down 42.8 percent from last year, while building permits fell 16.6 percent.

CONTENTS

OBSTACLES TO HOME
OWNERSHIP..... Page 1

HOUSING INNOVATIONS
FUND Page 6

MASSACHUSETTS
HOUSING MARKET.....Page 9

MASSACHUSETTS HOUSING REPORT

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RENT SURVEY CONFIRMS OBSTACLES TO HOME OWNERSHIP

According to standard bank lending practices, households should not pay more than 28 percent of their income towards housing costs. But renters in the state are already paying between 33 percent and 35 percent of their income, on average, for rent and utilities (gross rent). Renters are carrying high rent burdens and they may be capable of carrying higher mortgages if higher income qualifying ratios were allowed.

Recently, several area banks have liberalized their criteria to qualify homebuyers. But even if they were allowed higher qualifying ratios, most renters in Massachusetts cannot afford to purchase a home. Their incomes are too low for the current level of home prices. Moreover, their rent burden is so high that it is virtually impossible for them to save for the down payment.

Some public and private programs provide downpayment assistance as well as alternative mortgage instruments to help families buy homes. These programs are needed and commendable but may help only a minority of households.

A 1988 survey of Massachusetts renters (conducted by Abt Associates, Inc. for EOCD) who had recently moved into non-subsidized, non-rent controlled housing of standard quality, confirms the presence of obstacles to homeownership. Although the housing market has

slowed down since 1988, home prices have not dropped enough to significantly increase renters' homebuying power.

Income

In 1988, the median income of these renters ranged between \$22,000 and \$24,000 statewide. According to the Department of Housing and Urban Development's (HUD) income-eligibility levels for public and Section 8 housing in fiscal year 1988, these households would have qualified for these programs. Yet these households did not receive any government subsidy or any other type of rent reduction assistance.

To observe differences across the state's regions, median income levels were estimated for each of the state's eleven regional planning areas (RPAs). Non-subsidized renters in the Metropolitan RPA, which consists of 101 cities and towns (including Boston, Cambridge, and Brookline), and in the Northern Middlesex RPA, had the highest annual income -- \$24,000 to \$26,000. In the Southeastern Massachusetts region, renters' incomes ranged between \$18,000 and \$20,000 -- the lowest among the state's RPAs.

Within RPAs there are also vast differences. Table 1 shows median income ranges for key communities in each RPA. With the exception of Framingham, the median income of renters in the communities shown was below 80 percent of the area's median income as defined by HUD.

Affordability

Banks qualify homebuyers whose incomes cover at least 28 percent of their housing costs. Housing costs include mortgage payments, real estate taxes, and private mortgage insurance when the downpayment is less than 20 percent of the purchase price. None of the renters living in non-subsidized units of standard quality could afford to purchase the median-priced home at prevailing 1988 mortgage terms (the standard 28 percent payment-to-income ratio, a 10 percent downpayment, and a 30-year fixed rate mortgage at an effective interest rate of 10.67 percent). In fact, they were earning between \$25,480 and \$59,063 less than was needed.

The National Association of Realtors (NAR) calculates an affordability index based on median family income as a percent of the income needed to qualify for the median-priced home. NAR assumes also a 20 percent downpayment. For example, in 1988 the Boston Metropolitan area's index was 74.5, meaning that a family earning the median income had 74.5 percent of the income necessary to qualify for the median-priced home. The homebuying power of renter households is bleaker than for households overall. NAR's affordability index includes the income of all families, thus overestimating renters' ability to afford a home. Moreover, the index assumes a 20 percent downpayment -- also beyond the reach of most renter households. Another burden on most first-time homebuyers is private mortgage insurance, required when the downpayment is under 20 percent of the purchase price.

NAR's definition can be adjusted to calculate a renters' affordability index by using the median income of renter households and a smaller downpayment. As shown in Table 2, in 1988 the affordability index of renters (assuming a 10 percent downpayment) in the selected communities varied from 25.9 percent in Somerville to 51.7 percent in Framingham. That is, while renters in Somerville had only 25.9 percent of the income needed to purchase the median-priced home in their community, renters in Framingham had 51.7 percent of the income needed.

Table 2 shows the renter's affordability index and the income needed to qualify for the median priced home in each of 16 selected communities.

Rent

In Massachusetts, median gross rent of a non-subsidized, two-bedroom unit of standard quality was \$650 a month in 1988. Metropolitan area renters were paying 15.4 percent more -- \$725 per month -- for a similar unit. A two-bedroom unit in the City of Boston rented for \$825 a month -- 27 percent higher than the state's median rent. The Merrimack area median rent for a two-bedroom unit was \$700 per month. However, the median monthly rent for a similar unit in Lawrence was \$525.

Table 3 shows median monthly gross rents by number of bedrooms for the state's regional planning areas.

Rent Burden

Renters living in non-

subsidized, non-luxury units were paying over 28 percent of their incomes for rent and utilities. Statewide, renters were paying between 33 and 35 percent of their income for housing costs. In only three of the state's eleven planning areas -- Berkshire, Franklin, and Montachusett -- was the rent affordable. In these three regions the median rent burden ranged between 26 and 29 percent.

Within each region, there is great variation in rent burdens between communities. For example, the rent burden among communities within the Metropolitan area ranged between 25 and 55 percent. The overall Metropolitan area rent burden was between 33 and 36 percent. The wide range of rent burdens in sixteen selected cities and towns is shown in Table 1.

City of Boston renters paid the greatest percentage of income for rent. While their median income ranged between \$18,000 and \$20,000, the median rent of a two-bedroom unit in Boston was \$825 per month. These renters paid 50 to 55 percent of their income towards rent and utilities. Cambridge renters faced high housing costs also and a rent burden between 45 and 50 percent. In Framingham, rents were more affordable relative to income, with a rent burden between 25 and 27 percent. Here, a higher than average income compensated for a higher than average rent.

Brockton (rent burden of 35 to 43 percent), Quincy (38 to 41 percent), Barnstable (37 to 41 percent), Somerville (35 to 39 percent), and Lowell (35 to 39 percent) also had above average

housing costs. On the other hand, Fall River (24 to 27 percent) had the lowest rent burden. The rent of a two-bedroom unit in Fall River was 38.5 percent lower than the statewide average -- \$400 compared to \$650 -- compensating for lower than average incomes.

Homeownership Affordability With Higher Housing Payment-to-Income Ratios

Massachusetts renters may still not qualify for mortgages even with higher payment-to-income ratios. Renters in non-subsidized units of standard quality, would still not qualify to purchase the median-priced home in their communities. The analysis assumes a payment-to-income ratio equal to actual rent-to-income ratios, a five percent downpayment, prevailing loan terms (30-year fixed rate mortgage, 10.24 percent effective rate), and the median-priced home in 1989.

Table 4 (Scenario 1) shows that renter incomes are still too low to qualify for the median-priced home even if they continue to pay what they currently pay for housing. Renters in the selected communities would have qualified only for home prices ranging between \$52,963 in Fall River and Pittsfield and \$103,798 in Boston. The price gap between actual and affordable home prices ranges between \$38,305 in Lowell and \$114,583 in Somerville.

But banks would not allow ratios as high as 55 percent of income. Recently, however, some banks are qualifying homebuyers whose annual incomes cover 33 percent of their total housing payments. Table 4 (Scenario 2) shows the

range of home prices that renters can afford if they are allowed a 33 percent payment-to-income ratio.

When rent burdens are used as the qualifying criteria, Boston renters would qualify for a home priced just under \$104,000. However, under current lending practices, they would qualify for a \$65,000 home -- if they can find one at such a price!

Discussion

The costs associated with purchasing and owning a home and with renting an apartment are too high for the level of income of the majority of the Commonwealth's renter households. Some public and private homeownership programs provide downpayment assistance as well as relaxed underwriting criteria to help first-time homebuyers. These programs, however, target households with incomes between \$22,000 and \$36,000. The fact is that the majority of renter families have incomes below these thresholds.

Homeownership is out of reach for most renters without deep subsidies. State government cannot possibly assist all renters in need at the current funding levels. Moreover, the retreat of the federal investment in housing has limited the Commonwealth's ability to increase the supply of affordable housing. Prices (home prices and rent levels) would have to come down significantly. Otherwise, we may see a dramatic increase in the homeless population.

About the survey

In 1988, Abt Associates, Inc., conducted a telephone survey of

Massachusetts renters. Only recent movers in non-luxury, non-subsidized, non-rent controlled units were surveyed. Survey results were used to determine Maximum Allowable Rents for the state's Chapter 707 Rental Assistance program. Questions related to household income were asked also. In addition, the survey was used to estimate gross rent and median income ranges for the state's 351 cities and towns.

-- Miriam Colón

GREATER BOSTON HOUSING MARKET

The Greater Boston Real Estate Board reported data on the Greater Boston area (87 cities and towns) for the second quarter of 1990.

The average sales price of single family homes in the Boston area was \$238,676 -- down 2.5 percent from the second quarter of 1989. Condominium prices averaged \$141,044, down 5.1 percent from last year. The number of single family home sales was down 11 percent and condominium sales were 25 percent lower than last year. Sales fell most sharply for homes in the \$150,000 to \$600,000 range. Time on the market rose from 83 to 104 days for single family homes, but remained even at 105 days for condos.

Massachusetts Housing Report

Table 1
Rent Burden by Regional Planning Area and Selected Municipalities, 1988

<u>Area</u>	<u>Median Income</u>	<u>Median Gross Rent (2 BR)</u>	<u>Rent Burden</u>
Berkshire	\$20,000-\$22,000	\$475	26%-29%
Pittsfield	18,000- 20,000	525	32%-35%
Cape Cod and Islands	20,000- 22,000	650	35%-39%
Barnstable	20,000- 22,000	675	37%-41%
Central Massachusetts	22,000- 24,000	625	31%-34%
Worcester	20,000- 22,000	525	29%-32%
Franklin Region	20,000- 22,000	475	26%-29%
Greenfield	18,000- 20,000	525	32%-35%
Lower Pioneer Valley	20,000- 22,000	550	30%-33%
Springfield	18,000- 20,000	500	30%-33%
Metropolitan Area	24,000- 26,000	725	33%-36%
Lynn	20,000- 22,000	600	33%-36%
Quincy	22,000- 24,000	750	38%-41%
Somerville	20,000- 22,000	650	35%-39%
Cambridge	20,000- 22,000	825	45%-50%
Boston	18,000- 20,000	825	50%-55%
Framingham	36,000- 38,000	800	25%-27%
Merrimack Valley	22,000- 24,000	700	35%-38%
Lawrence	18,000- 20,000	525	32%-35%
Montachusett Region	20,000- 22,000	475	26%-29%
Fitchburg	18,000- 20,000	525	32%-35%
Northern Middlesex	24,000- 26,000	675	31%-34%
Lowell	20,000- 22,000	650	35%-39%
Old Colony	20,000- 22,000	675	37%-41%
Brockton	18,000- 20,000	650	39%-43%
Southeastern Massachusetts	18,000- 20,000	500	30%-33%
Fall River	18,000- 20,000	400	24%-27%
Massachusetts	\$22,000-\$24,000	\$650	33%-35%

Source: Abt Associates, Inc., "Massachusetts Housing Inventory and "Policy Indicators, 1988."

Table 2
Income Gap of Renters in Selected Communities, 1988

<u>Area</u>	<u>Median Price All Homes</u>	<u>Income Needed</u>	<u>Income Gap</u>	<u>Affordability Index</u>
Pittsfield	\$112,000	\$49,817	\$30,817	38.1
Barnstable	175,000	77,838	56,838	28.0
Worcester	122,000	54,263	33,263	38.7
Greenfield	108,000	48,038	29,038	39.6
Springfield	100,000	44,480	25,480	42.7
Lynn	135,000	60,049	39,049	35.0
Quincy	156,000	69,388	46,388	33.1
Somerville	182,500	81,175	60,175	25.9
Cambridge	180,000	80,063	59,063	26.2
Boston	175,000	77,838	58,838	24.4
Framingham	161,000	71,612	34,612	51.7
Lawrence	129,000	57,273	38,273	33.2
Fitchburg	120,000	53,375	34,375	35.6
Lowell	116,900	52,013	31,013	40.4
Brockton	128,000	56,932	37,932	33.4
Fall River	124,000	55,155	36,155	34.4

Sources: Abt Associates, Inc., "Massachusetts Housing Inventory and "Policy Indicators, 1988"; Banker and Tradesman, *Real Estate Trendline Report, 1987-1989*

Table 3
Regional Planning Area and State Median Gross Rents by Bedroom Size, 1988

<u>Area</u>	<u>0 BR</u>	<u>1 BR</u>	<u>2 BR</u>	<u>3 BR</u>	<u>4+ BR</u>
Berkshire	\$400	\$425	\$475	\$525	\$600
Cape Cod and Islands	500	525	650	750	875
Central Massachusetts	500	525	625	700	825
Franklin	400	425	475	525	600
Lower Pioneer Valley	450	475	550	625	725
Metropolitan Area	575	625	725	875	1,000
Merrimack Valley	550	600	700	825	975
Montachusett	400	425	475	525	600
Northern Middlesex	525	575	675	775	900
Old Colony	525	550	675	750	875
Southeastern Massachusetts	425	450	500	525	625
Massachusetts	\$525	\$575	\$650	\$750	\$875

Source: Abt Associates, Inc., "Massachusetts Housing Inventory and Policy Indicators, 1988."

Table 4
Affordable Home Prices in Selected Communities Under Two Scenarios, 1990

<u>Area</u>	<u>Median Price</u> <u>All Homes</u>	<u>Affordable</u> <u>Home Price</u> <u>Scenario 1</u>	<u>Price</u> <u>Gap 1</u>	<u>Affordable</u> <u>Home Price</u> <u>Scenario 2</u>	<u>Price</u> <u>Gap 2</u>
Pittsfield	\$112,000	\$ 52,963	\$ 59,037	\$ 63,337	\$ 48,663
Barnstable	144,025	71,153	72,872	70,006	74,019
Worcester	125,050	64,273	60,777	70,006	55,044
Greenfield	110,052	64,375	45,677	63,337	46,715
Springfield	109,000	60,225	48,775	63,337	45,663
Lynn	130,950	73,446	57,504	70,006	60,944
Quincy	143,052	92,999	50,053	72,839	70,213
Somerville	194,910	80,327	114,583	70,006	124,904
Cambridge	190,080	103,261	86,819	70,006	120,074
Boston	172,900	103,798	69,102	63,337	109,563
Framingham	167,442	103,139	64,303	117,176	50,266
Lawrence	134,031	64,375	69,656	63,337	70,694
Fitchburg	118,800	64,375	54,425	63,337	54,463
Lowell	117,485	79,180	38,305	70,006	47,479
Brockton	130,048	79,937	50,111	63,337	66,711
Fall River	124,000	52,963	71,037	63,337	60,663

Source: Banker and Tradesman, *Real Estate Trendline Report, 1987-1989*

Notes: Scenario 1: 30-year fixed rate mortgage, 10.24 percent effective interest rate, 5 percent downpayment; qualifying ratios are equivalent to average rent burden (Table 1), 2.475 percentage points of the qualifying ratio for hazard insurance, property taxes, and private mortgage insurance; 1988 income expressed in 1990 dollars.

Scenario 2: Same as Scenario 1, except qualifying ratio equals 33 percent.

MASSACHUSETTS' INNOVATIVE HOUSING PROGRAM

Recent reductions in available revenues of the Commonwealth have resulted in a dwindling share of the state budget for housing programs. Yet, there remains a sum of money earmarked for the development of innovative forms of housing. The Massachusetts Acts of 1987 established the Housing Innovations Fund (HIF) "for the purpose of facilitating the creation of alternative forms of housing for low income persons and families."

For HIF purposes, alternative forms of housing are defined as single room occupancy (SRO) housing, limited equity cooperatives, and special needs housing. Special needs housing includes housing for people with AIDS, housing for persons who are mentally retarded or mentally ill, and transitional housing. Although some other programs can fund these kinds of housing, HIF is unique because it is targeted specifically and only to these forms of innovative housing development. Capitalized with general obligation bonds of the Commonwealth, HIF was originally authorized in 1987 to spend up to \$30 million.

Terms Of Assistance

The Housing Innovations Fund is administered by the Massachusetts Executive Office of Communities and Development (EOCD). It provides partial financing for qualified projects sponsored by eligible organizations. Housing Innovations Fund monies are available only to non-profit organizations. Typically, the

HIF investment is equal to the lesser of \$15,000 per unit or 25 percent of total development costs. The balance of project financing comes from bank loans or other public resources. The term of the HIF loan is forty years. Simple interest is applied at the rate of five percent for the first 20 years of the loan. For example, a social service organization serving mentally retarded adults recently applied to HIF for funds to develop housing for its clients. The total development cost for the project was \$303,450. The developer was awarded 25 percent of this cost or \$75,862 in HIF funds.

Long-term affordability is the hallmark of HIF housing. In contrast to deed restrictions which limit the incomes of residents, and are commonly used to maintain affordability, the Housing Innovations Fund achieves the same result through its financing structure: a deferred payment loan.

Repayment of the loan is deferred as long as the project meets three basic conditions. First, the housing must continue to be owned by a non-profit organization. Second, it must be utilized as an alternative form of housing. Third, at least 25 percent of the residents must be very low income persons or families with income below 50 percent of the area median income, and an additional 25 percent must be persons and families with income between 50 and 80 percent of the median. If all three conditions are not met at any time during the term of the HIF loan, the loan must be repaid. Thus, the deferred nature of the loan serves as an economic

disincentive for the project to become anything other than what it was funded to be.

Program Achievements

To date, HIF has committed about \$22.5 million of the original \$30 million authorization. A total of 93 projects in 37 communities have received funding commitments from the HIF program. Thirty-five projects have been completed and are occupied. The remainder are in various stages of development. The breakdown of these projects by type of housing, the total number of units, and the number of units available to low income persons and families is presented below.

	<u>Projects</u>	<u>Units</u>	<u>Low-Income</u> <u>Units</u>
SROs	29	759	702
Coops	29	978	628
Special Needs	35	407	371
Total	93	2,144	1,701

As is shown above, HIF has been successful in targeting low income persons and families. Almost 80 percent of units are low income.

Assistance To Non-Profits

The HIF program works in conjunction with other entities to provide financing to eligible projects. The Community Economic Development Assistance Corporation (CEDAC) performs the underwriting and review for HIF applications. CEDAC is a quasi-public corporation which provides technical assistance and loans to non-profit organizations for community

economic development.

There is a set-aside of 50 percent of all HIF funds for projects in the City of Boston. Boston project applications are reviewed by the Public Facilities Department which makes funding recommendations to EOCD.

Also, HIF works closely with the Cooperative Housing Task Force on a new share loan program capitalized with HIF funds which the Task Force administers. This program makes loans available at a five percent interest rate for a term of up to 20 years to residents of limited equity cooperatives. HIF money is used to purchase shares in their cooperatives.

The HIF program not only provides affordable housing but helps non-profit entities stabilize their operations. Social service organizations, beset with skyrocketing housing costs and cuts in human service programs, have looked to HIF for assistance to develop safe, secure housing for their clients. Community Development Corporations (CDCs), with their mission of providing housing for low income people, have also sought HIF funding for projects they are developing. HIF provides CDCs with attractive financing for projects which otherwise could not be undertaken. The HIF program also allows the CDC developer to take a developer's fee of five to ten percent of total development costs. At a time when seed and operating funding for CDCs is being cut, this fee is helping these organizations to continue their work in non-profit housing development.

Designed originally as a non-

Massachusetts Housing Report

competitive program, HIF was able to provide support to all projects which met eligibility and underwriting criteria. Due to the dramatic increase in demand over the last several months, however, HIF has recently announced that it will now review applications on a competitive basis. A funding round is being held in the fall,

and a second round is planned for the spring of 1991. Persons interested in learning more about the Housing Innovations Fund program should contact Lynn Shields, Director, Housing Innovations Fund, EOCD, 100 Cambridge Street, Room 1804, Boston, MA 02202 (617) 727-8495.

--Lynn Shields

HIF PROJECTS COMPLETED AND OCCUPIED

Project Name	Community	Type Project	No. Units
Worcester House	Boston	SRO	16
Lower Roxbury Tenant Coop	Boston	Coop	70
Merriam Street	Somerville	Special Needs	8
289 Centre Street	Boston	SRO	12
Centre Street Trust	Boston	SRO	11
Highland Avenue	Malden	Special Needs	4
Old Billerica Road	Bedford	Special Needs	4
5 Tileston	Everett	Special Needs	3
Brookview House	Boston	Transitional Housing	8
Winter Street	Haverhill	Special Needs	8
Medford Family Life	Medford	Transitional Housing	8
West Fenway Apartments	Boston	Special Needs	52
Westford Community Residence	Westford	Special Needs	3
Church Street SRO	Boston	SRO	12
Worthington Street Shelter	Springfield	Shelter	57
Chestnut Street	Cambridge	Coop	10
Hospice At Mission Hill	Boston	Special Needs	17
Maple Court	Springfield	Special Needs	8
Heritage Common	Lawrence	Coop	40
Bradford House	Haverhill	Special Needs	5
Columbia Road	Boston	Transitional Housing	4
Norfolk Cooperative	Cambridge	Coop	6
Pebble Street Housing Coop	North Adams	Coop	4
Union Hill Tenant Coop	Worcester	Coop	10
Shawmut Avenue	Boston	SRO	15
Rockview Road	Quincy	Special Needs	6
Pine Street SRO	Framingham	SRO	15
Lincoln Street	Hudson	SRO	20
Washington Street	Hudson	SRO	14
Chestnut-Lamartine Coop	Boston	Coop	50
Main Street Shelter	Holyoke	Shelter	28
Chicopee Lodging	Chicopee	SRO	21
Pleasant Street Shelter	New Bedford	Shelter	25
Heard Street	Waltham	Special Needs	6
Central Street	Waltham	Special Needs	6

SRO= Single Room Occupancy

Coop= Limited Equity Cooperative

MASSACHUSETTS HOUSING MARKET ROUNDUP

HOME SALES AND PRICES: Table 1

House Prices Fall But Condo Prices Hold

Home sales continued their downward trend. In June of 1990, the number of residential sales was down 19.7 percent from June of 1989. Condominium sales fell at a steeper rate -- 26.9 percent in the same period. The greatest drops in sales were in Berkshire, Hampden, and Suffolk Counties: 39.0, 29.4, and 29.0 percent, respectively. House prices finally yielded a little, by 5.1 percent, but condominium prices continued to hold, dropping only 0.4 percent. In the previous quarter, condo prices in Massachusetts had fallen more. House prices are now following suit. House prices were down in all counties. Condominium prices fell in most counties but actually rose in four: Essex, Hampden, Plymouth, and Suffolk.

HOME LOANS: Table 2

New Home Prices Exceed Existing Home Prices

The estimated number of single-family home loans fluctuated for the first half of this year, but ended at 587,000 in May, close to the 596,000 number of loans in January. The large increase in June of 1990, shown in Table 2, according to the Federal Home Loan Bank Board, is attributable to an aberration in the estimating techniques and may not accurately reflect true sales. Table 1 of this Report shows a large decrease in home sales in June. The average purchase price remained about the same between January and May

at about \$165,000. The average price was consistently higher for new homes than for existing homes during the same period at \$187,000 and \$158,000, respectively. This difference may be accentuated by the inflated number of estimated loans in June.

INTEREST RATES: Table 3

Effective Interest Rates Remain Level

Interest rates for Massachusetts home loans went slightly down from April to May (10.08 to 9.89 percent) but went back up again in June to 10.05 percent. The Boston interest rate for existing home loans followed the same pattern, moving from 9.90 in April to 9.76 in May, and back up to 9.95 in June. The national average home loan rate showed even less fluctuation, remaining at around 10.1 percent throughout the three month period. This 'evening-out' pattern is also evident in other type interest rates. Nationwide, the rate for new homes went down from 10.28 in May to 10.13 in June. The national rate for existing homes moved up from 10.14 to 10.16 percent.

EMPLOYMENT/UNEMPLOYMENT: Table 4

Unemployment Rate Climbs In Massachusetts

Between June 1989 and June 1990, the Massachusetts unemployment rate rose from 3.9 percent to 5.8 percent. The number of persons employed dropped by 65,000 from 3,109,000 to 3,044,000. New England saw a similar increase in the unemployment rate -- from 3.8 to

5.5 percent, but in the U.S. the rate went down, from 5.5 in June 1989 to 5.3 percent in June 1990. The Massachusetts jobless rate is more reflective of the regional economic slowdown than other national trends.

CONSUMER PRICES: Table 5

CPI Rises Over 1989, But Renter Costs Rise Less Than Homeowner Costs

The Consumer Price Index in the Boston area rose 5.9 percent between July of 1989 and July of 1990. Between July 1989 and July of this year, homeowner costs rose more than renter costs -- 5.0 and 3.3 percent, respectively. The renter index is substantially higher than the CPI (12.2 percent), but the homeowner index shows an even larger difference, at 19.5 percent. From 1984 through 1989, these housing indices showed widening divergence from the CPI. In 1984, the renter index was very close to the CPI, and the homeowner index only 5.7 percent higher. By 1989, the renter index had exceeded the CPI by 13.2 percent, and the homeowner index was 20 percent higher than the CPI. These figures illustrate the increasingly disproportionate cost of housing compared with other consumer goods. Until recently, when they moderated slightly, home prices have continued their trend upward, keeping both renter and homeowner costs high.

HOUSING STARTS: Table 6

Housing Starts In Massachusetts Down By More Than 42 Percent

Housing starts in Massachusetts were down 42.8 percent in June

of 1990 as compared with June of 1989 -- the largest annual decrease in recent years. By comparison, starts in June of 1989 showed only a 16.8 percent reduction from June 1988. New England's loss was even greater between this year and last -- as much as 46.3 percent. The increasing reduction in starts illustrates the deepening depression in the housing market. Housing starts in the United States fell by only 16.3 percent between June of 1989 and June of 1990.

MASSACHUSETTS BUILDING PERMITS: Table 7

Permits Down In 1990, But June Shows Less Steep Drop Than May

Building permits fell 16.6 percent during the first half of 1990 as compared to the same period in 1989. Permits for multifamily buildings experienced the greatest drop -- almost 45 percent. Single-family buildings were down only 6.9 percent. This difference may be a result of federal tax reform which limited investor profits.

- Mildred Rein

Table 1
RESIDENTIAL SALES AND PRICES BY MASSACHUSETTS COUNTY

	Number of Sales				Median Sales Price	
	June 1989	June 1990	YTD 1989	YTD 1990	June 1989	June 1990
<u>All Sales (1)</u>						
Barnstable	568	482	2,620	2,378	\$138,900	\$135,000
Berkshire	262	160	1,083	767	120,000	122,000
Bristol	668	483	3,385	2,653	134,000	130,000
Dukes	46	37	216	174	200,000	160,000
Essex	1,002	743	4,539	3,547	150,000	151,000
Franklin	99	83	420	347	123,000	120,000
Hampden	605	427	2,769	2,154	120,000	118,000
Hampshire	247	182	863	700	123,000	120,000
Middlesex	1,899	1,561	8,569	6,899	184,900	172,000
Nantucket	27	27	154	122	290,000	287,500
Norfolk	981	816	4,438	3,786	175,000	168,500
Plymouth	753	683	3,614	3,161	142,000	137,000
Suffolk	785	557	3,675	2,806	156,900	150,000
Worcester	1,012	785	4,592	3,630	131,900	128,800
<u>MASSACHUSETTS</u>	<u>8,954</u>	<u>7,068</u>	<u>40,937</u>	<u>33,177</u>	<u>150,000</u>	<u>145,000</u>
<u>Residential (2)</u>						
Barnstable	503	439	2,303	2,087	145,000	135,000
Berkshire	238	150	994	721	119,500	118,000
Bristol	579	409	2,877	2,279	140,000	134,900
Dukes	43	36	205	169	200,000	165,000
Essex	758	627	3,497	2,904	165,000	158,000
Franklin	94	74	399	321	125,000	122,900
Hampden	544	397	2,413	1,924	123,500	119,000
Hampshire	219	163	773	639	125,000	122,000
Middlesex	1,465	1,225	6,460	5,420	200,000	185,000
Nantucket	26	25	152	116	290,000	287,500
Norfolk	784	665	3,430	3,089	187,500	181,400
Plymouth	676	612	3,180	2,782	145,900	138,900
Suffolk	383	264	1,841	1,532	174,000	160,000
Worcester	894	696	4,002	3,168	135,382	131,150
<u>MASSACHUSETTS</u>	<u>7,235</u>	<u>5,811</u>	<u>32,697</u>	<u>27,188</u>	<u>158,000</u>	<u>150,000</u>
<u>Condominiums</u>						
Barnstable	65	43	317	291	110,000	110,000
Berkshire	24	10	89	46	185,000	139,015
Bristol	89	74	508	374	111,900	99,900
Dukes	3	1	11	5	126,000	-----
Essex	244	116	1,042	643	114,900	125,000
Franklin	5	9	21	26	120,000	120,000
Hampden	61	30	356	230	93,000	106,000
Hampshire	28	19	90	61	107,900	104,980
Middlesex	434	336	2,109	1,479	135,900	125,000
Nantucket	1	2	2	6	300,000	-----
Norfolk	197	151	1,008	697	134,000	129,900
Plymouth	77	71	434	379	119,900	120,000
Suffolk	402	293	1,834	1,274	136,500	138,000
Worcester	25	14	130	93	100,000	78,000
<u>MASSACHUSETTS</u>	<u>1,719</u>	<u>1,257</u>	<u>8,240</u>	<u>5,989</u>	<u>125,000</u>	<u>124,500</u>

Notes: (1) Residential and Condominiums
(2) All homes except condominiums

Source: Banker and Tradesman, "Real Estate Trendlines Report," June 1990.

Table 2
SINGLE-FAMILY HOME LOANS IN MASSACHUSETTS

	All Home Loans			Average Purchase Price	
	Estimated Number of Loans	Average Purchase Price	Average Contract Interest Rate (%)	New Homes	Existing Homes
1986	8,925	146.9	10.07	149.7	145.7
1987	8,126	167.9	9.00	179.4	164.2
1988	6,865	175.4	9.18	186.7	171.1
1989	5,743	163.9	10.03	177.5	159.9
January 1990	596	160.6	9.78	163.8	159.0
February 1990	339	168.4	9.82	208.9	153.3
March 1990	482	175.4	9.82	224.7	165.7
April 1990	421	155.4	9.84	157.3	153.9
May 1990	587	163.5	9.70	181.8	156.0
June 1990	1,011	161.0	9.79	150.4	160.0
June 1989	610	162.2	10.45	206.7	150.2

Note: Prices in thousands.

Source: "Mortgage Interest Rate Survey," Federal Housing Finance Board.

Table 3
RECENT EFFECTIVE (1) INTEREST RATES FOR HOME MORTGAGE LOANS
(in percentages)

	April 1990	May 1990	June 1990
Mass. All Loans	10.08	9.89	10.05
Mass. Fixed-Rate Loans	10.44	9.86	10.41
Boston CMSA Existing Homes	9.90	9.76	9.95
U.S. All Loans	10.15	10.17	10.16
U.S. Fixed-Rate Loans	10.50	10.54	10.57
U.S. New Homes	10.17	10.28	10.13
U.S. Existing Homes	10.15	10.14	10.16

* Note: (1) Effective Interest Rates include points charged at closing, amortized over ten years.

Source: Federal Home Loan Bank, "First District Facts," July, 1990.

Table 4
EMPLOYMENT AND UNEMPLOYMENT
(numbers in thousands)

	1987	1988	1989	April 1990	May 1990	June 1990	June 1989
Massachusetts							
Persons Employed	2,987	3,041	3,053	2,987	3,027	3,044	3,109
Persons Unemployed	99	103	127	173	163	189	128
Unemployment Rate(%)	3.2	3.3	4.0	5.5	5.1	5.8	3.9
Unemployment Rate(%)							
New England	3.3	3.1	3.9	5.3	5.2	5.5	3.8
United States	6.2	5.5	5.3	5.2	5.1	5.3	5.5

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Rates are not seasonally adjusted.

Table 5
CONSUMER PRICE INDEX FOR BOSTON

Month of May	CPI	Renter Index	Homeowner Index
1984	104.3	104.9	110.2
1985	108.4	111.8	116.4
1986	111.0	121.8	125.5
1987	115.3	128.4	132.6
1988	123.1	139.4	147.3
1989	130.5	147.7	157.0
May 1989	130.5	147.7	157.0
May 1990	137.0	155.2	163.6
Percent Change	+5.0	+5.0	+4.2
July 1989	130.3	149.8	157.1
July 1990	138.0	154.8	164.9
Percent Change	+5.9	+3.3	+5.0

Note: Non-seasonally adjusted cost indices, 1982-84=100, urban consumers. Renter Index is comprised of residential rents. Homeowner Index is equal to homeowner costs which include owners' equivalent to rent and household insurance. Boston CPI covers the Boston and Lawrence metropolitan areas.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 6
HOUSING STARTS
(numbers in thousands)

	1988	1989	1990	Percent Change 1988-89	Percent Change 1989-90
Massachusetts					
January	35.2	29.5	19.7	-16.2	-33.2
February	33.0	19.0	15.7	-42.4	-17.4
March	34.5	23.4	14.9	-32.2	-36.3
April	38.9	30.2	18.8	-22.4	-37.7
May	31.0	29.4	17.4	- 5.2	-40.1
June	30.9	25.7	14.7	-16.8	-42.8
New England	77.6	71.5	38.4	- 7.9	-46.3
United States	1,454	1,406	1.177	- 3.3	-16.3

Notes: Seasonally adjusted, annualized estimates.
Figures for New England and the United States are for June.

Source: Federal Home Loan Bank, "First District Facts."

Table 7
MASSACHUSETTS BUILDING PERMITS
 (Housing Units)

	Total	Single Family	Two-Four Family	Multi- Family
January 1990	1,263	706	103	454
January 1989	1,315	868	159	288
February 1990	1,197	719	171	307
February 1989	1,266	692	129	445
March 1990	1,269	1,061	79	129
March 1989	1,799	1,143	193	463
April 1990	1,350	1,092	171	87
April 1989	1,898	1,169	153	576
May 1990	1,441	1,058	282	101
May 1989	1,680	1,165	171	344
June 1990	1,542	1,158	137	247
June 1989	1,706	1,189	226	291
January-June 1990	8,062	5,794	943	1,325
January-June 1989	9,664	6,226	1,031	2,407
Percent Change	-16.6	-6.9	-8.5	-44.9

Source: U.S. Bureau of the Census, Current Construction Reports,
 "Housing Units Authorized by Building Permits."

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